

REVIEW OF U.S. POLICY TOWARD NICARAGUA

Y 4.F 76/1:N 51/27

Review of U.S. Policy Toward Nicara...

HEARING

BEFORE THE

THE SUBCOMMITTEE ON
WESTERN HEMISPHERE AFFAIRS

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

OCTOBER 6, 1993

Printed for the use of the Committee on Foreign Affairs



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REVIEW OF U.S. POLICY TOWARD NICARAGUA

WEDNESDAY, OCTOBER 6, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to call, at 2:06 p.m. in room 2172, Rayburn House Office Building, Hon. Robert G. Torricelli (chairman of the subcommittee) presiding.

Mr. TORRICELLI. The committee will please come to order. The committee meets today to provide oversight in American policy toward the nation of Nicaragua. Periodically the committee has reviewed American relations with Nicaragua with an eye toward the process of reform and security and a variety of other national objectives.

In our last meeting considering, as we were then, and, again, at this time the question of continuing American foreign assistance to Nicaragua, we were dealing specifically with the issue of process and initial reconciliation, a return of confiscated properties or just compensation, return of security forces to national control.

Now, unfortunately to our list is added questions regarding the explosion in the arms cache and related issues.

There are probably few other members who have been as supportive in providing foreign assistance to Nicaragua—as I have attempted to be in my several years as chairman of the committee—a poor country at all times that finds itself in desperate straits because of the political difficulties of the last decade. This country, does, however, have the right to insist that before providing foreign assistance there is both political progress in accord with our own objectives of human rights and democratization and Nicaragua no longer finds itself providing complications in the security of the hemisphere.

I hope today from a variety of witnesses to gain a greater understanding of whether or not progress has been made relative to each of these points, and I suppose in the final analysis for each of us to reach our own judgments and gain some insight in the administration's judgment as to whether indeed American foreign assistance in Nicaragua can be justified in light of these various factors.

[The prepared statement of Mr. Torricelli appears in the appendix.]

Mr. Smith, do you have any comment?

Mr. SMITH. Mr. Chairman, the period since our last hearing focusing on Nicaragua which was held last February can probably best be described as tumultuous, eventful—much of it bad, and dis-

appointing. The February hearing was conducted in the shadow of the continued hold on U.S. funds designated for Nicaragua.

As you might recall, Mr. Chairman, on February 24th I joined a number of my colleagues in asking Secretary Christopher to continue the hold on the \$50 million of U.S. assistance to that country, in light of the continuing political violence, corruption, and the failure to resolve the confiscated property issue.

Ranking Member Ben Gilman joined me in late March in a letter to Secretary of State Christopher noting that the FBI had found five fraudulent Nicaraguan passports at the home of one of the suspects arrested in connection with the terrorist bombing of the World Trade Center. We were seeking a full investigation by responsible law enforcement agencies of a possible link to terrorist activities, and seeking a guarantee that additional funds would not be released to Nicaragua until such an investigation had shown that there was no involvement by Nicaraguan Government officials.

Mr. Chairman, in March there were consultations, as I think there ought to be, between the Department of State and the U.S. Congress, and I realize that much of the input from fellow colleagues was mixed. The administration heard from some to release the money. Others were saying, hold it longer and see if additional progress is accomplished in that country. I think everyone was a bit shocked and dismayed when a well-stocked arms cache exploded in a suburb of Managua in late May. I know this member was surprised and I am sure the Chairman was as well.

Hundreds of rifles and other weapons, 19 air-to-surface missiles, falsified passports and identity papers and other documents exposing a multinational kidnapping ring were exposed as a result of that bomb blast.

Mr. Chairman, many issues continue to haunt the Chamorro regime. Our hope is one of goodwill for President Chamorro—as it has been since her winning the Presidency. But, as I have noted in previous times and you have noted as well, we must see genuine, authentic tangible progress on a whole host of fronts if we are to continue the aid, particularly ESF funds.

Mr. Chairman, we must also be very mindful that there is the very real possibility of continued or escalated violence. A number of kidnappings and other unconscionable acts were committed and then exploited by Sandinistas when they took their own hostages. Both acts are unconscionable and ought to be condemned equally because they are violence against the human person.

Mr. Chairman, many human rights cases need to be resolved. This is a complicated, complex foreign policy problem which we face, but I think we have to be very clear that human rights, resolution of confiscated properties, among other things should be addressed. As a footnote, Mr. Chairman when Antonio Lacayo was in town earlier this year, I had asked him—and others joined me in the request—if he would permit a truth commission to be configured. The commission would go to Nicaragua and attempt to lay bare in an independent analysis the facts about what has occurred on a host of fronts.

I am happy to say that the Organization of American States has configured such a commission, which has been working. They have been on the ground trying to sift through the evidence to determine

which allegations are true and which are false. Hopefully the report which they ultimately render will help us in our deliberations in determining what our level of support ought to be, if there is to be any support at all.

I thank you, Mr. Chairman, and I look forward to our discussion.

Mr. TORRICELLI. Thank you, Mr. Smith.

Ms. Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman, for putting together this meeting on an issue that I know is of great concern to you and it certainly is a great concern to all of us on this subcommittee and to my congressional district. This type of meeting has a direct impact and you can imagine the level of interest that exists in Dade County and all of South Florida about the issue of Nicaragua.

I want to congratulate you, Mr. Chairman, for getting together such an impressive list of panelists. One is more knowledgeable than the other one. This is going to be a very insightful meeting for all of us, and I especially want to welcome Mr. Peter Sengelmann, who is a constituent of my congressional district and the President of the Committee to Recover Confiscated American Properties in Nicaragua.

I am sure he is going to talk about his own particular situation, as well, and how that will impact on other properties.

I want to thank Secretary Watson as always being very accessible and it is always good to hear from him about all of the events in Latin America, especially Nicaragua. In my community there is a great deal of concern about this—the lack of reforms, the lack of serious reforms in Nicaragua.

The promises of Violeta Chamorro, I have often said, have not come to fruition. They have remained at the level of promises and they have not really been put into practice.

There was a great feeling of anxiety before, but now total disgust with the lack of progress in Nicaragua. Still the control of the Sandinistas is very much in evidence and a lot of us are feeling stronger and stronger in our position that further U.S. aid to Nicaragua should be further conditioned upon true, true implementation of the promised reforms that have heretofore gone unfulfilled. So I thank you once again, Mr. Chairman, for putting together such a great group of panelists, who are the leading experts in the United States on the issue of Nicaragua. Thank you, Mr. Chairman.

Mr. TORRICELLI. Thank you.

Mr. Ballenger.

Mr. BALLENGER. Yes, sir. Thank you, Mr. Chairman. I would just like to say, having read the article from *National Review*, that Secretary—ex-Secretary Abrams wrote and having been in Nicaragua after you were there, it is probably one of the most well written articles I have seen. It seems to me it tells the story exactly the way I saw it down there. I am glad you were able to come.

Thank you, Mr. Chairman, for having him as a witness.

Mr. TORRICELLI. Mr. Ballenger.

Mr. BALLENGER. That is it.

Mr. TORRICELLI. That is very impressive, Mr. Ballenger. I hope you have set a standard for the committee.

Ms. ROS-LEHTINEN. I just want to echo on what Congressman Ballenger has said. It is wonderful to see Mr. Abrams here. We don't agree on the situation on further U.S. aid to Nicaragua, but it is a pleasure to have him here testifying in front of us.

Mr. TORRICELLI. Mr. Secretary, welcome to the committee. It is a pleasure to have you before us. We look forward to your testimony, and the judgments you have to share with us as we try to make this decision, the institution which you serve and ours with regard to assistance to Nicaragua. Please proceed.

**STATEMENT OF ALEXANDER F. WATSON, ASSISTANT
SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS**

Mr. WATSON. Thank you very much, Mr. Chairman. Mr. Chairman, I have a prepared statement which I have submitted to the committee.

Mr. TORRICELLI. Without objection.

Mr. WATSON. And if you will, I would like to present a summary of that at this time.

Mr. Chairman, members of the subcommittee, thank you for giving me this opportunity to join you for a discussion of the situation in Nicaragua and the policies that this administration is implementing to advance democracy and human rights, encourage economic development, protect property rights, and ensure regional security.

The United States and nascent Central American democracies will pay a very high cost should the democratically elected government of President Chamorro fail. That is why this administration emphasizes both strong support for her government and energetic efforts to foster internationally facilitated political reconciliation among all parties.

We also recognize that accomplishing our objectives regarding democracy, human rights, property, and the economy depends on Nicaraguans establishing the necessary political conditions.

At the inception of her administration, President Chamorro made the very personal decision to break with the traditions of victors and vanquished in Nicaragua and to establish the principle that her government would seek national reconciliation among all sectors of the Nicaraguan society. In retrospect, an undesirable consequence of this policy of reconciliation was to leave control of the military, police, and intelligence functions in the hands of Sandinistas, some of whom were willing to abide by the known Democratic rules of Nicaragua.

Certain Sandinista officers have failed to demonstrate what is a requirement of democratic government. Significant violations of human rights have occurred in Nicaragua and investigations by independent observers and by a Tripartite Commission composed of the government, the Organization of American States, CIAV and the Catholic Church have linked many of these abuses to current members of the police, Army and intelligence services.

In addition, the recent discoveries of clandestine arms caches, mentioned by members of the committee a few minutes ago, have raised profound concerns in Nicaragua and abroad over the possibility that past links between the Sandinista-controlled security

forces and international terrorism may have continued into the present.

President Chamorro has recognized the corrosive effects of security forces that are out of control and in a courageous September 2nd speech, delivered on Army Day before the assembled officer corps, she announced her intention to establish civilian government control over the security apparatus.

Her legal, constitutional, and legitimate action initially provoked defiance from the senior command of the Sandinista Popular Army called the EPS and the FSLN. This dangerous conflict with the security forces is compounded by other developments which have contributed to further erosion of the fragile political consensus supporting Mrs. Chamorro's government.

Nicaragua faces simultaneous political military and economic crises. The administration believes that the only way solutions will be found is through the political reconciliation between the Government of Nicaragua and the FLSN and the UNO. The Government of Nicaragua shares this perspective and launched an initiative to begin talks on a national accord among these political actors.

The parties are in basic agreement on the agenda for the talks, which includes reviving the National Assembly and reforming the Constitution. All friends of Nicaragua must support in every way possible further progress in these talks.

The administration's approach to Nicaragua combines strong support for the legitimately elected government of President Chamorro with energetic efforts to foster internationally facilitated political reconciliation among all parties. This administration has one simple message to the parties in contention in Nicaragua. Seek a national accord through dialogue and compromise among yourselves. Do not seek the answers to your problems in Washington.

Political rivals must accept that they bear joint and equal responsibility. In their country's problem, they must be prepared to moderate their personal and political differences and labor patiently to establish a consensus on Nicaragua's democratic future.

To the Chamorro government we offer our strong support and encouragement, yet we are also pressing it to take actions that are within its authority on key issues, particularly civilian control over the security forces, human rights, expropriated property and national reconciliation. To the UNO, we have communicated our strong support for dialogue with the freely elected Government of Nicaragua.

UNO is mistaken if they hope that instead of working with the Chamorro government they can get U.S. support through intransigence. Our message to the FSLN is that we will accept the Sandinista as a legitimate political force to the extent they follow the democratic rules of the game. Concretely this means that the FSLN must comply with the bold decisions announced by President Chamorro on September 2nd to establish civilian control over the security forces.

These decisions include a law setting term limits for senior military officers including General Humberto Ortega, the transfer of the intelligence service to the Presidency, and the naming of a civilian head and an end to the military and police immunity by eliminating military jurisdiction over crimes against civilians.

We agree with President Chamorro's judgment that General Ortega's replacement as Army Commander is desirable. The sooner the better so civilian control over the military can be achieved. Our policy goes beyond specific personalities, however, and focuses on the need for broader, more profound and durable institutional change. We have made it clear we have absolutely no sympathy for renewed recourse to violence by any group.

We are aware of allegations that recontra organizations may be trying to obtain illegal support from U.S.-based sympathizers. We issued a public statement in June warning that the United States fully prepared to prosecute those who violate U.S. neutrality and related laws. I reiterate that pledge here today.

We are also encouraging a variety of international actors, to Central American Presidents, to Governments of Spain, Mexico, Colombia, Chile, and Venezuela, the OAS Secretary, the United Nations Development Program to persuade the Nicaraguan parties to cooperate for the sake of their country's future.

Members of Congress and the American public would be justifiably alarmed by the suggestion in some news coverage of the May 23 arms cache explosion in Santa Rosa that the Government of Nicaragua or elements of it may have been connected to a terrorist attack on the World Trade Center or to a ring of terrorist kidnappings based in Nicaragua. Based on preliminary reports and evidence available to date, we are reasonably assured that the current Government of Nicaragua is not involved in such activities and are encouraged by the investigation it is carrying out with the assistance from a U.S. interagency team and investigators from Mexico, Spain and Venezuela.

Over 7,000 separate documents have been recovered and are undergoing detailed examination by the Department of the Defense and other investigative agencies here in the United States. Investigators have determined that 11 of the 19 surface-to-air missiles found in the Santa Rosa cache mentioned by Congressman Smith came from EPS stocks. In addition, we are concerned about the locations of over 100 surface-to-air missiles that were originally in EPS stocks, but are as yet unaccounted for. We will return to the Congress with a complete report on the arms cache investigation when it has advanced further.

The United States continues to press the Government of Nicaragua to resolve U.S. citizen property claims more expeditiously. We recently established a new foreign service officer position in the embassy dedicated exclusively to this issue. Nicaragua has also set up comprehensive institutional mechanisms for resolving property claims. To date, 119 U.S. citizen property claims have been fully or substantially resolved out of a total of 1,222 properties in dispute.

Five American citizens have had all of their claims resolved completely; 18 U.S. citizens have accepted bond compensation.

Mr. Chairman, Nicaragua has critical need of external assistance to shore up its economy and to help consolidate its democracy. The same time and while recognizing how difficult the problems are, we look to the Chamorro administration for decisive leadership in the areas I have discussed here today. External aid alone cannot sustain or ensure the success of the Chamorro Government. As you

know, budgetary pressures and knew demands for foreign aid make the near term outlook for U.S. assistance especially bleak.

Nicaragua simply must generate and those who invest there, Nicaraguans and foreign investors alike, confidence that the country is on the right path economically and politically. As President Chamorro moves to implement her public commitments to the Nicaraguan people, we will consult with the Congress concerning any release of our fiscal year 1993 economic support funds.

I should note, however, that the bilateral assistance we can offer, while highly important, is dwarfed by the approximately \$130 million in multilateral and other donor assistance which is linked to the conclusion of an Enhanced Structural Adjustment Facility, ESAF, for Nicaragua with the International Monetary Fund.

We hope and expect that the pending trilateral talks will establish a new consensus among the government, the FSLN, and UNO about the direction of Nicaraguan and social and economic policy. We believe that such a problem should aim at reactivation of production in Nicaragua and address the dire conditions now prevailing in rural areas.

Nicaragua's leaders of all political persuasions need to understand that two paths lie before them. With a broad national consensus and the political will to advance Nicaragua's commitments in the areas of democracy and human rights, protection of property rights, civilian control of the military, and economic reactivation, Nicaraguans will find the United States and the international community ready to work in an effective partnership to help their country succeed.

Absent consensus and political will, international engagement in Nicaragua will be reduced and that nation will postpone the day when it truly completes its transition to democratic norms and sets the foundation to long-term prosperity. The administration appreciates the leadership this subcommittee has shown in the public discussion of these issues and we look forward to working with you to help Nicaraguans build a democratic society.

I will be pleased, Mr. Chairman, to try to ask any questions you or members of your subcommittee may have. Thank you.

[The prepared statement of Mr. Watson appears in the appendix.]

Mr. TORRICELLI. Thank you very much, Mr. Secretary, for your statement and the analysis you have provided. Give me your sense of the economic circumstances we are now facing in Nicaragua as we evaluate our relative displeasure or pleasure with political progress in Nicaragua, how we balance that against the financial realities of the Nicaraguan Government and their abilities to sustain the economy.

Mr. WATSON. Well, Mr. Chairman, the economic crisis in Nicaragua is acute and profound. Growth is virtually nonexistent. It may even be negative in the second half of the year. Foreign exchange reserves are very low. People talk about reserves sufficient for only a few weeks more.

Unemployment is high. Poverty in the rural areas is serious. The crisis is extreme.

Mr. TORRICELLI. For the longer term has there been any progress at all to attract foreign investment?

Mr. WATSON. Not very much, Mr. Chairman, I tried to touch upon that in my brief remarks here. As far as we are concerned until the government and the other parties in the internal political struggle there manage to resolve their differences and set a course of action to deal effectively with those issues that I mentioned, particularly control of the armed forces and the security forces, protection of human rights and effective action on expropriated property and guarantee of property rights, as well as sustained economic policies, I think it will be difficult to attract investment. At least that is what the record would indicate so far.

Mr. TORRICELLI. The consequences of not providing the assistance, I assume, are the impact on the value of currency and the inability to further import essentials which would happen almost immediately?

Mr. WATSON. Yes. There will be an import bind almost immediately, yes, sir.

Mr. TORRICELLI. Does this go to the issue of food and other essentials?

Mr. WATSON. Yes, sir.

Although we have been providing and some others have been providing food assistance to Nicaragua, it is certainly——

Mr. TORRICELLI. Independent of this process.

Mr. WATSON. Yes. It is not to meet overall need.

Mr. TORRICELLI. Let me review the several specifics of issues that we have previously used to measure in your remarks outlined with regard to the relationship. The question of the national reconciliation talk also with the legislative leadership, whatever frustrations they revealed, give me your estimation of their status.

Mr. WATSON. Well, as I understand it, there have been three sets of bilateral talks going on, but the trilateral talks have not really begun yet, and that is partly because the UNO opposition has said they first want to work out some arrangements with the government before joining in talks in which the Sandinistas would also participate.

It is very hard for us to ascribe responsibility to one party or another——

Mr. TORRICELLI. I suppose that is my point. The responsibility, appears to me, Mrs. Chamorro had was to engage in the discussions on a good faith basis and seek resolution. We cannot expect her to have succeeded if that indeed was not possible in her own judgment, but in your estimation did she meet the mark of having approached them in good faith and continued to approach them in good faith.

Mr. WATSON. Yes, sir, I think that she has. I was talking with her about this in New York last week in the margins of the general assembly and that is one of the points that I and others in our meetings with her stressed, and she indicated very much a willingness to continue and press as hard as possible. She understands, as least as far as we can tell, she understands the absolute essential nature of getting the National Assembly functioning again because many of the things they want to do can only be done with the passage of legislation, so it is absolutely essential to overcome any impasse and get the National Assembly functioning. It is a

question of working through the differences between the parties to arrive at that end. Only the Nicaraguans can do that.

In my own view, it is not for us to determine which particular position to take on any particular issue. They have to work in the spirit of compromise to get their national institutions functioning again.

Mr. TORRICELLI. As you know, that has been my judgment as long as, indeed, they were making an effort. It appears to me that has occurred.

On the question of the former contras and Sandinista fighters to return to civilian life and have their promises fulfilled in land and resources, the inability of this to happen and the consequence that they engaged in periodic fighting, is this exercise of bad faith in the promises that were made or simply an inability to have the resources to fulfill what was seen as commitments to them?

Mr. WATSON. Well, our judgment is that the Chamorro administration has not met all its obligations to the former combatants of the national resistance. I do not ascribe that generally to bad faith but rather the inability to meet the commitments that she made. It is absolutely essential, though, that further progress be made there.

Mr. TORRICELLI. Some of this should be no more than distributing land. I understand the limit of the financial resources and why some things cannot occur, but, indeed, in the actual providing of land for people to see their own way, it would appear to me that there is a reason consistent with good faith not to have acted.

Mr. WATSON. I mean I think that they have provided land, but not at the pace that they—that is necessary to resolve this problem.

Mr. TORRICELLI. Let me move on to the case of the confiscated property. You cite 119 properties have been returned? Returned or compensated for.

Mr. WATSON. Cases have been resolved in one fashion or another.

Mr. TORRICELLI. One fashion or another.

Mr. WATSON. Yes, sir.

Mr. TORRICELLI. Out of 1,000.

Mr. WATSON. 1,022 is our account of the number of claims. Some American citizens have multiple claims, so there are fewer American citizens involved.

Mr. TORRICELLI. The thousand includes people who have U.S. citizenship, should have had it at some point during the process.

Mr. WATSON. Yes.

Mr. TORRICELLI. It is the latter. The broader category at some point have had American citizenship.

Mr. WATSON. I think that is correct, sir, I have to double-check that for you.

Mr. TORRICELLI. Is there a standard measure of compensation that is being used here? Government bonds, cash payments, other properties? Or does each appear to be a unique settlement?

Mr. WATSON. Each case is a unique settlement and we have had some significant ones happen recently. The largest single claim, Rosario Mining, over \$20 million was settled. I gather Rosario Mining is interested in continuing to do mining in Nicaragua.

Just last week a major case involving a citizen named Richard Bell was resolved. I believe he received something around \$6 million in one way or another and he expressed to our people, at least, satisfaction with the Nicaraguan process for handling this, particularly compared with his experiences in some other country also.

Mr. TORRICELLI. If you want people who are dissatisfied, I can give you my sheets of people who call me from Miami.

Mr. WATSON. I am sure there are.

Mr. TORRICELLI. I will ask you two final questions and I will yield. Ms. Chamorro's announcements that she is placing the intelligence service under civilian control in her recent speech, has that occurred?

Mr. WATSON. She signed a decree on that day which makes this happen, but the actual implementation of that decree has not occurred as yet.

Mr. TORRICELLI. How do you account for that.

Mr. WATSON. Yet I was told just today if I may, sir, that our Ambassador in Nicaragua, John Maisto was told that she will announce by the end of next week the name of the civilian individual who will take over this intelligence service.

Mr. TORRICELLI. Was the decree not immediately self-executing?

Mr. WATSON. I have not examined the text of the decree. My understanding is that it was to take place immediately, yet it has not actually been implemented. The key thing is to get this new individual in charge of it and have him or her restructure the organization and move it under the Presidency and out of the Army.

Mr. TORRICELLI. Let me ask you about the arms cache for a minute. I know Mr. Smith will continue with this. The passports that have been found, is it your understanding that the dates on those passports, the ones previously known and found during this recent revelation, do they predate the Chamorro government or any of them raise the question of whether they were still being issued after the elections?

Mr. WATSON. If you are referring to the passport, the Nicaraguan passport, because in the cache a lot of the passports of other countries, including—

Mr. TORRICELLI. I understand that I am not concerned about which countries' passports there were, but whether there was an illegal passport operation that apparently was still producing them after the date Mrs. Chamorro took power.

Now, if you answer individually both with regard to those stamped Nicaragua and those of other countries.

Mr. WATSON. Not to my knowledge. I don't have—I am not privy yet to the results of the investigation, as I said in my statement. As soon as we get the full results we will come back to you. But one group of passports that was of concern and maybe you are referring to them as well, Mr. Chairman, are those that were found in an apartment in Brooklyn of Mr. Elgabrown, who was allegedly involved in the bombing of the World Trade Center.

Mr. TORRICELLI. And those dates were before Ms. Chamorro; is that accurate?

Mr. WATSON. I am not quite sure that the dates are, but the passports are legitimate passports and they were—and the investigators have found no complicity on the part of the government in

the issuance of those passports. They were obtained by the use of false documents and obtained through a travel agency in normal procedure. There was no procedural complicity by the Nicaraguan Government.

Mr. TORRICELLI. Do you have any reason not to be pleased with the cooperation of the Nicaraguan Government with the investigation that is taking place either in New York or with regard to the exploding arms cache?

Mr. WATSON. Our people who have been working on the investigation of the New York tragedy have been extremely pleased with the cooperation.

Mr. TORRICELLI. How about the overall effort with regard to Nicaragua.

Mr. WATSON. Our Interagency Council, who has gone to Nicaragua twice and is now down there again today for the third time has been very pleased with the cooperation they have received.

Mr. TORRICELLI. The facility that exploded, do you have a belief as to where principal responsibility lay at the time of the explosion within the armed forces of Nicaragua for that—for the security of that facility?

Mr. WATSON. I do not know that there was any armed forces security of that facility. That facility, the weapons in that arms cache belonged to a Salvadorian group, the FPL.

Mr. TORRICELLI. The news report indicated it was being guarded at the time of the explosion. Was that not accurate?

Mr. WATSON. I am not aware of that. But once again, Mr. Chairman, as soon as we get the full results of the investigation that our folks have been working on and they go through all these 7,000 documents and other things, we will be right up here and brief you fully.

Mr. TORRICELLI. What is the timing you would anticipate we would see some conclusion to the investigation of the arms cache?

Mr. WATSON. I wish I could be precise, but that really depends on the investigation.

Mr. TORRICELLI. Would you be imprecise? Give me your sense? Is this weeks, months, is it relevant to the timing when we have to make a judgment.

Mr. WATSON. I would think weeks and what I will undertake to do is get in touch with the Defense Department and others who are handling them, let them know of your interest, ask them how long they think it will take and get back up to the members of your staff.

Mr. TORRICELLI. They know of our interest. What they may have no sense of is the importance this judgment is going to have, I think, on the positions we take with regard to Nicaraguan assistance, both in releasing current funds and authorizing future funds. I think that the Members of this Congress have been very understanding of the circumstances in Nicaragua.

For those who oppose the contra war, a sense of national responsibilities, perhaps those who did not in equal sense that we wanted to be part of patiently helping to fashion a solution in Nicaragua. And so it was national reconciliation, the failure to compensate in a timely basis or to incorporate former fighters into civilian society, there has been great patience.

The question of the countenance of a passport forgery ring or the shipping of arms or continued kidnapping activities goes beyond any sense of responsibility. It isn't only a question of whether it was operated by authority in the Nicaraguan Government. It is a question of whether the Nicaraguan Government knew or by any reasonable standard should have known that those operations were taking place.

As you know in the past, I have urged continued assistance in spite of my disappointments because I don't want to see the United States be party to an economic collapse in Nicaragua and have the poor disproportionately suffer, as undoubtedly they would, but indeed this has gone too far and Mrs. Chamorro's government should be on notice that even those who have been among their best friends willing to find them not simply in silence, but on the other side, if this issue isn't explained, isn't resolved, and we are not satisfied with the results.

Thank you, Mr. Secretary.

Mr. Smith.

Mr. SMITH. Thank you very much, Mr. Chairman. And, Mr. Secretary, thank you for your testimony.

I will pick up where the Chairman left off with regards to the arms cache and the bomb blast that occurred in Santa Rosa. One of the concerns many of us had immediately after the explosion was that there was no immediate access to the site by impartial investigators, be they Interpol or any other investigative organization which could sift through the evidence in a fair and impartial way.

The problem was that the Sandinistas, and possibly others, apparently had immediate access to the site. That begs the question whether or not certain evidence could have been removed before impartial investigators had access. While the Government is now very responsive in cooperating, it seems that those who are interested in the truth missed a very vital window of opportunity, when access to the site should have been restricted to proper investigators. Would you agree with that assessment?

Mr. WATSON. I think that is a matter of concern, yes, sir.

Mr. SMITH. Two or three times you mentioned in your testimony that the government, based on primary analysis, did not have complicity with the arms cache. What about the Sandinistas, is there any evidence suggesting that they or some other group inside of Nicaragua had access?

Mr. WATSON. Evidence available to me does not indicate that as yet, but very, frankly, we find it incredible, literally incredible to think that an arms cache like that plus the others—remember the investigation of this one has revealed over 20 other arms caches, including some belonging to Guatemalan guerrilla organizations could have existed inside of Nicaragua during the Sandinista authoritarian rule without the knowledge of elements at least, at least elements of the security services at that time.

There is no indication, as far as I can tell so far from the information that has been shared with me that elements of the—of Mrs. Chamorro's government were aware of this. But the question is, you know, did the Sandinistas when they were running the country know about this and, well, I don't think there is direct evidence

yet. It is just incredible to believe this could have existed in a country like that without the knowledge of at least some elements of the security service.

Mr. SMITH. Plus we have the circumstantial evidence, if I am not mistaken. The Post reports that Tomas Borge showed up in his pajamas immediately after the blast occurred so there would at least be some reason to have suspicion regarding that.

Mr. Secretary, the Tripartite Commission named a number of Army police and paramilitary personnel as responsible for murders of resistance members. Police members were placed on paid vacations, it is my understanding, and no member of the Army has been suspended even though Mr. Lacayo has told some Members of Congress and the administration that all Army members named by the Tripartite Commission have been suspended.

Have members of the Army that were named by the commission, been suspended to your knowledge? How many have been prosecuted or are in the process of being prosecuted, with evidence gathered? How many are in jail as a result of those murders?

Mr. WATSON. Congressman Smith, this, for me, is one of the single most serious problems we are facing. It goes to the heart of the crisis in Nicaragua. It is the impunity of the armed forces. The Tripartite Commission, which even includes the government, is basically a grand jury looking at evidence produced by the OAS-CIAV and others. It comes to a conclusion in a relatively small number of cases and presents these names and nothing happens, particularly in the Army.

My information here is that the Army, the EPS, exonerated 8 of the 10 that were mentioned in the commission's first report and we have no information on the fate of the remaining two. And we are continuing to press the government every day on this issue. This is one of the things we have raised most energetically with Mrs. Chamorro in New York and we also would like to have the second report produced by the Tripartite Commission which dealt with 18 cases, if I am not mistaken, made public as well. But this is—this is really at the heart.

You have almost a state within a State and it goes not only to the civilian control of the country but also to the human rights situation in Nicaragua. And as far as I am concerned, Mrs. Chamorro herself personally is a full respecter of human rights and yet the situation is being tolerated in which these kinds of things go on without effective action being taken. We are pressing them as hard as we can on this.

Mr. SMITH. I appreciate that and encourage you in to keep pressing on that. One of the things that greatly disturbed me to learning that the Tripartite Commission has been, in a sense, hitting a brick wall as soon as anybody associated with the military or security forces was implicated. The cases go no further. My hope is that this will change and I am glad to see the administration is pressing hard on that.

Mr. Secretary, with respect to the fiscal year 1993 dollars—I am not certain about the actual amount—are there monies still in the pipeline?

Mr. WATSON. If you are talking about the ESF.

Mr. SMITH. Yes.

Mr. WATSON. I think the original sum was \$50 million. I think with the rescission and things we have had to take it, I guess, down to about 40, if I am not mistaken, down. That is the figure we are working with.

Mr. SMITH. So, \$40 million is still being held.

Mr. WATSON. It is the entire fiscal year 1993 amount.

Mr. SMITH. What is the sense within the administration of what will be done with that money in the near future?

Mr. WATSON. No decision has been made yet. We are pressing the government for action on the areas that I mention, including the ones you have mentioned. And as I stated in my testimony, before any decision is taken we will be coming up here and consulting with members of the committee.

Mr. SMITH. I appreciate and look forward to that consultation. I think it is very important, especially considering the language Mr. Helms and Mr. Leahy have both affixed to different pieces of legislation conditioning fiscal year 1994 dollars. Certainly that language should provide some guidance to the administration where the House and Senate are.

We have tried to include language in the House bill. Unfortunately, the Rules Committee knocked me down when I tried to offer some conditionality. It is important that there is, I think, a bipartisan consensus that we need to see substantial progress.

Mr. WATSON. Yes, sir. We have read and studied the language produced in the Senate in the appropriations legislation and we will follow it very, very closely. In fact, we agree, in essence, with that legislation.

Mr. SMITH. Let me conclude my comments or questions, because I know the Chairman has been very kind with the more than 5 minutes that I have received here.

With respect to the confiscated properties get conflicting reports. I have heard some very good things about Carlos Garcia who is working very, very hard in our embassy in Managua. On this issue, there seems to be a real sense that the administration and the Congress are speaking in one accord that this issue has to be resolved.

You mentioned a number of cases to Chairman Torricelli, that have been resolved through either bonds or some other mechanism. I suspect not many of those were the actual return of property. Last year I remember reading a detailed record written by Mr. Helms' staff which was replete with a "who's who" in Nicaraguan Government, and the properties they had confiscated and still possessed.

How do the number of cases resolved match up with that list produced by the staff of Mr. Helms?

Mr. WATSON. This is the list of properties that belong to American citizens that are being expropriated and are being used by the Nicaraguan—

Mr. SMITH. It was not just American citizens. There were a large number of Nicaraguan citizens as well. But, the bottom line is that the list was like a who's who of Government officials who were living in stolen properties. The question arises, as we seek to promote some resolution, hopefully those cases would be the first to be resolved, setting the stage for all others that follow.

Mr. WATSON. Well, while we are concerned with expropriation by the, in this case, the Nicaraguan Government of the properties belonging to Nicaraguans, our real concern is with property that belongs to Americans. I believe there are 40 such properties. Just yesterday our new Ambassador in Managua, John Maisto, raised this question very, very firmly with the Government of Nicaragua and said that he—precisely what you have just said, that certainly it should serve as an example and as an earnest of good faith if the government would find a way to abandon these properties if they can.

Some of them may be damaged, but in some way deal effectively with these cases of property that is belonging to American citizens quickly and effectively.

Mr. SMITH. I appreciate that. Mr. Secretary, for the record, could the department go through this list which I am sure is in your files. Keeping track of how these are being resolved will, I think, serve as a barometer and a harbinger of how this ultimately will be resolved. I think we should suggest to our word in the Nicaraguan Government that an excellent example can be set by resolving these cases immediately. Thank you and yield back.

Mr. TORRICELLI. Thank you, Mr. Smith.

Mr. Menendez.

Mr. MENENDEZ. Mr. Secretary, good afternoon. Last week you placed a new condition on U.S. aid to Nicaragua and however these apply, I understand it, to fiscal year 1994 assistance.

Mr. WATSON. Yes, sir.

Mr. MENENDEZ. Now, we still have \$40 million in that pipeline in terms of assistance; is that about right?

Mr. WATSON. In the ESF account the entire amount for fiscal year 1993 is about \$40 million now. There are other accounts, but the ESF account is \$40 million.

Mr. MENENDEZ. How much do all other accounts add up to, then, do you know?

Mr. WATSON. Let's see, for the—I think I have got some numbers here, if you will give me a second to find them. The total of assistance for fiscal year 1993 was the figures I have here from AID is \$101.5 million, but that would have to be reduced by \$10 million, as the ESF is no longer \$50 million, it is now \$40 million. Of that, development assistance is \$32½ million, and PL-480, \$19 million and the remaining \$40 million would be ESF.

Mr. MENENDEZ. OK. Now, is it also fair to say that Nicaragua is about to run out of financial reserves?

Mr. WATSON. That is my understanding.

Mr. MENENDEZ. So if that is the case, that means in the next couple of weeks the State Department will be making rounds seeking to ask for money and what we will hear, I assume, is that we have heard that the government is making progress and so therefore we should cut a check.

Now, I stated at a previous hearing that we have, I believe, not much to show for U.S. aid to Nicaragua which is almost \$1 billion over the period of time since 1989, almost 700 dollars per capita per Nicaraguan in the country. And the question is while we continue to finance out of U.S. dollars the cooperation of the government, where is it that we are going—how far down the road is this

national reconciliation? For 3 years has there not been enough time to build institutions that in fact can make our dollars work toward this national reconciliation?

Where are we at in this process? I am trying to get some sense here as to how—how, other than we continue to hear we are making progress, so let's give—let's cut another check, trying to get some baseline as to where we test to continue to go with this process.

Mr. WATSON. Congressman, I certainly share your frustration, but I am not prepared to draw any conclusions yet in the process. And I didn't mean to imply that in my testimony.

And I think that for many months, at least in the months that I have been in working preparing to go assume this position and after I took it, my judgment would be not much was taking place. I would like to point out that that speech that President Chamorro made before the assembled officer corps on September 2nd was a very dramatic step in terms of her exerting leadership again and doing it right in the face of the most difficult group she has to deal with and start to go define the national debate.

And what we are hoping is, and what we are expecting is she will take steps in the very near future to implement those decisions that is she announced and she refers to them as commitments to the Nicaraguan people and that is how I refer to them in my testimony because that is how I think we should view them.

Now, she claims that her efforts to move forward on this were perturbed by these terrible strikes they had a couple of weeks ago which cost them a lot of money and a lot of difficulties.

So I think that her resolve now has been more effectively manifested than in the past by what she did on September 2nd. Another thing that is important, I think, is that double hostage taking that was mentioned by members of the committee, I think scared people in Nicaragua. They are starting to look over the abyss. They can see where their country is going, if they don't get their act together and start cooperating. I think that has given new incentive to the process of dialog.

We have seen people who did not ever dialogue before, members of the UNO and the leaders of the Sandinista groups talking together for the first time. Now, whether these will come to anything or not we don't know. We certainly hope they will. We expect they will. We urge that they do and we urge that they get down to business. Put aside their personal jealousy and get that national assembly working and get on with the nation's business and we are appealing to everybody with influence in Nicaragua to press these—this point on anyone that they can talk to there.

Mr. MENENDEZ. Well, we have heard before that President Chamorro's resolve is there, but now the question is, after 3 years, are there institutions set up by which in fact our dollars can in fact work toward the successful resolution of that national reconciliation? One thing is resolve; the other thing is having had the time to set up a process and institutions to make it work, and I dare say that I don't see the institutions that will make it work after 3 years.

Mr. WATSON. Well, Congressman Menendez, the fundamental problem is the broader political one that I have just been mention-

ing. Our programs have been working with free labor unions, supporting human rights groups, two human rights groups, working to support freedom of the press, helping other NGO's, helping economic reactivation and health, and trying to focus on the welfare of the poorest elements of the society and to help build the institutions vital to a democratic society.

But I think that you have a very valid point. Without national consensus, at least on the general goals of policy and a willingness to work together at the highest political level, this kind of assistance does not bear the fruit that it should.

Mr. MENENDEZ. Let me turn to another question. Earlier this year when the Chairman had a hearing, we raised the question of General Ortega's replacement as the army commander. Let me—and my sense of it, that it was coming.

Now I read in your statement on page 8 that in this regard President Chamorro has made her speech, and this is going to come next year, that she is going to make her announcement next year. One is why next year, and, two, is when next year?

Mr. WATSON. Well, Congressman Menendez, there is no doubt in my mind, and there should be no doubt in anyone's mind, that Ortega has to go and he even agreed to go by late 1995. As I said in my statement, as far as we are concerned the sooner the better, because that change in the leadership of the armed forces is crucial to the democratic society. The armed forces doesn't belong to any person; no one has a right to stay forever in a position. They should move on rapidly. It should be a rotation of officers through the key positions.

Now, what she did in her speech on September 2, and got a great resistance from Ortega, was to move that up, so that she said he will be leaving next year. She has not told us when next year. There have been various rumors. I didn't give any of them credence, so we don't know when she will be doing it next year, but she said next year.

But what they told our Ambassador yesterday, that on the question of the security intelligence service, removing Lenin Cerna, who is a human rights violator by anybody's standards, and having him replaced by a civilian will take place no later than the end of next week.

Mr. MENENDEZ. Well, I guess that the compromise might be December 31, 1994, in which case we would almost hit the 1995 deadline.

Let me ask you this—I have many questions, but since there are other members, let me ask you this one last question. With reference to our statement about our categorization of the cooperation that the Nicaraguan Government has given us on the questions of possible links to terrorism, where have we drawn that information from in the Nicaraguan Government?

Mr. WATSON. From our investigators, sir.

Mr. MENENDEZ. Where have they drawn that information from in terms of the Nicaraguan Government?

Mr. WATSON. What I was trying to say was that our people who have been investigating both the connection of the passports found in Elgabrown's apartment around the World Trade Center, and also our investigative team has been three times in Nicaragua

working on the arms cache, those people are reporting back, they have had excellent cooperation from the Nicaraguans.

Mr. MENENDEZ. Yes, but who within the Nicaraguan Government are they saying that they are having excellent cooperation with?

Mr. WATSON. I can't tell you everyone they have worked with, but they have said that they have gotten the cooperation from everyone they have been dealing with.

Mr. MENENDEZ. I assume there is some focal point here in which the chiefs of our intelligence operations deal with theirs, and I am trying to find out where we are gathering this positive response from, because I would like to know whom within the government we are getting information from so that I can judge its legitimacy. For example, are we getting this information from the chief of Nicaraguan intelligence?

Mr. WATSON. Well, what we are—the people they are working with, it is my understanding, particularly Vice Minister of the Interior, Mr. Cesar, has been very, very cooperative with them and he has made all of the people that are subordinate to him cooperate with them.

I cannot tell you, Congressman. I will try to find out, though, everyone that they have been dealing with, what services within Nicaragua our investigators are dealing with. I am just not privy to that information at this point.

Mr. MENENDEZ. Well, I would like to know, because if the end-all is that the interior minister is in fact giving us information and being cooperative via his chief of intelligence whom we seek to remove within a week, or the Government of Nicaragua I should say, seeks to remove within a week, then I would not be particularly overwhelmed about the validity of the information or that in fact the assistance is one which we should consider as positive, especially considering your own words of Mr. Cerna's background as a human rights violator. Since he is the chief of intelligence, I would be worried that that is where we are getting our information from.

Mr. WATSON. Congressman, I think they have been working mostly with the civilian police investigative force that works with the interior ministry, not with the intelligence services which have just been—are in the process of being transferred from the army to the presidency. But I will try to look into that for you and get you some more precise information, if I can.

Mr. MENENDEZ. I would appreciate it.

All right. Ms. Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman.

Thank you, Secretary Watson, for your testimony. One of the last panelists today will be Raymond Genie, who is the father of John Paul Genie, as we know, was murdered by Ortega's bodyguards, and I want to thank Mr. Genie for having the courage to testify publicly today.

I would like to ask you, Secretary Watson, how can we effectively encourage and press for real justice in the case of Raymond's son, in the case of the late former resistance leader, Intega Bamouves and Dr. Sakada among many other cases? What role do we play in pressing for real justice to be handed down in these cases?

Mr. WATSON. Congresswoman Ros-Lehtinen, I think that what all of us must do, and I tried to indicate this in my statement, is

press as hard as we can on all of the appropriate authorities to deal effectively with these cases. I mean, there are ways to do that.

The Jean Paul Genie case, there are several different avenues that can be followed. Inter-American Human Rights Court, Supreme Court, decisions can be made. We have to press for those decisions to be made and due process to be followed.

Ms. ROS-LEHTINEN. How would you assess the progress that has been made on the part of Violeta Chamorro's government in pressing for justice in these cases or a resolution of those cases?

Mr. WATSON. Frankly, it is not satisfactory.

Ms. ROS-LEHTINEN. In the subject of confiscated property, I am sure that we would agree that the Chamorro government has not shown yet a true commitment, at least some of us believe, a policy of returning properties or even organizing a true plan whereby claims are resolved and properties are returned in light of the fact that you say 119 cases have been resolved, partially or completely. I understand that very few have actually been resolved completely.

Does partially resolved mean that the government claims that they are in negotiations with the owners, or that the owner got possession, but not title? When we put the word "resolve" to cover both partially or completely, I think that that gives us the sense of progress, that from what I hear from some of the property owners who have contacted me, that resolution has really not completely resolved the issue but that there is a semblance of movement, a semblance of resolution that is, in fact, just an illusion.

Mr. WATSON. Well, I don't want to generalize about the resolution or the lack thereof of specific cases, because I simply do not have the knowledge to do that and I think it would be dangerous to speculate. But our impression is that once they set up that mechanism in March, which experts in these things who are not myself think is an adequate mechanism, and is moving forward, that there has been progress, slow, slow, very slow, but steady progress, and that the pace has been picking up. This is not enough.

Obviously, we would like them to proceed more rapidly with the cases and we raise this every time we talk to them. And Carlos Garcia, who is the young foreign service officer that is handling this is doing a spectacular job, I was glad to hear Mr. Smith say that, because we think he is doing a great job. He is working on this stuff within the embassy as best he can to facilitate the process. But our concern is to keep pressing away.

I should point out, though, one thing, and this is not in any way to make any excuses, but we do have to recall that the Chamorro government is a fragile and weak one with terrible and political problems inherent with, excuse my French, a hell of a mess. Those in terms of what the Sandinistas were doing with terrorists and arms caches and that kind of stuff and also this property thing. This is almost an unparalleled situation that they are dealing with and they are not dealing with it perfectly, and that is to be expected. But at least, at least it is moving in the right direction. It may not be satisfactory yet, but at least it is moving in the right direction.

Ms. ROS-LEHTINEN. Mr. Secretary, we hear a lot of press reports and statements from officials talking about the ex-contras

rebanding, and certainly that has been the emphasis. But what reports do you have of the Sandinistas continuing a lot of activities, especially in the countryside, and do you see any sort of correlation between the Sandinistas becoming more active in the countryside with Chamorro's statements about how I desire to remove General Ortega, but not actually following through, as has been brought up by my colleague, Congressman Menendez? Do you see any relationship between what Dona Violeta is doing with respect to armed forces in general and the Sandinistas becoming more organized in certain sectors of Nicaragua?

Mr. WATSON. Well, let me just state that I have heard Dona Chamorro say she will remove General Ortega and that is what we expect from her, not that she desires to, but she will do it and she will do it next year.

No, I don't see any connection between that and the outbreaks of violence, particularly in the North, of so-called recompas and others. I think that some of the recompas may have connections or links in some fashion with the security forces. That is another reason why the security forces must be brought under civilian control. Others may, in fact, be grouped that are essentially independent who are bandits, who may have a political orientation but are not acting on the instructions of anybody.

It is awfully hard to sort this out. The real point is to stop the impunity of the armed forces, to get the armed forces to deal effectively, and we have to admit that they have dealt in some cases effectively with both the recontras and the recompa groups; get the ones that have come in out of the cold, so to speak, disarmed and reintegrated and get economic development going in the northern part of the country which produces the situation that produces desperate conditions which is not conducive to alternate employment for these people. This is not to excuse what they are doing at all, but I think a good economic focus would help alleviate the problems somewhat.

Ms. ROS-LEHTINEN. What statement would you make about whether conditionality works, or whether it has worked in other countries, and whether conditioning aid to Nicaragua on the basis of true progress and resolution of so many problems, human rights, et cetera, what is your position on further conditioning aid to Nicaragua or making those conditions more concrete rather than just progress toward, but actually resolution of problems?

Mr. WATSON. Well, my own view in general on conditioning of aid is that it is useful, and it can be useful, but it has to be carefully calibrated to the circumstances that you are dealing with. You can't condition aid on things which you perceive to be impossible to be achieved in the timeframe you are talking about, for instance. On the other hand, you can't condition aid so that you—so that the aid is rejected and not used at all and you lose your leverage.

On the other hand, you have to be careful to be sure that if you are going to condition it, that when you make it available that the conditions that you have established have been reasonably well satisfied or at least that significant progress has been made to them, or in your judgment, you have gotten about as much, if you will, political leverage out of this as you can possibly get.

Ms. ROS-LEHTINEN. And in the conditions that have been already signed into law, is the Department of State ready to determine in writing that those conditions have been made? You said that a lot of those determinations have not been made concerning the weapons, the passports, all of the conditions that were set forth in the bill; investigations, claims on property.

Mr. WATSON. You are referring to the fiscal year 1994 appropriation?

Ms. ROS-LEHTINEN. Correct, right. When would you say that—it is very early, I realize, but when would you be able to determine that those conditions have, in fact, been made? Would you be certifying that, or are you not even looking at that until a later time?

Mr. WATSON. Oh, I am not looking at that at this point. I don't think I could speculate on when we would certify, if we did. We will follow the language in the law and produce a report at the appropriate time, but it is based on the reality on the ground in Nicaragua, not on any particular timeframe that I or anyone else in the administration may have.

Ms. ROS-LEHTINEN. And your conversations with the Nicaraguan officials, they of course know about these conditions. Is it your understanding that they are working in order to meet those conditions, or is the attitude as we have heard on other occasions, well, if they don't want to give us the aid, who cares? Which was the statement made a few months ago. Are they working to meet these conditions, or do they get the sense that no matter what they do or don't do, they are going to get it?

Mr. WATSON. No. My understanding at this point is that they understand that these are serious, but they believe that they are realistic, and they are working toward them. But it has only been a matter of a few days really since this legislation has appeared.

Ms. ROS-LEHTINEN. Thank you, Mr. Secretary.

Mr. WATSON. Thank you.

Mr. MENENDEZ [presiding]. Mr. Ballenger.

Mr. BALLENGER. If I may, speaking of conditional aid and so forth, I would like to throw out to you what appears to be a certain hypocrisy, the way we operate up here, because it was not too long ago that the U.N. Truth Commission came to this committee and said what an absolute disaster El Salvador was and immediately demanded that General Ponce and all the generals resign and also amnesty must be given to everybody in El Salvador, and then Congress itself froze the aid that goes to El Salvador because they weren't registering enough people fast enough for this coming election, and they already have over 75 percent of their people registered.

To some extent I don't understand where—I realize this is not your fault—I think it is more our fault than yours—but I just thought the hypocrisy of what we are doing at least should be brought out.

I know General Ponce was asked to resign. We pressured him, I am sure, and 3 or 4 months later he did resign and all the other generals did, and I thought that just the fact that we were able to—maybe it is the strength of the government that is in El Salvador compared to the strength of the government in Nicaragua.

I think basically what I am talking about is just pure frustration on my part, because I got chewed out for chewing out the United Nations Truth Commission and I thought they deserved chewing very well.

Let me ask you a question. I was there Labor Day weekend when she had her argument with the generals—I mean with the general, and everything seemed to be going well at the time. I thought it was great she did it, she lost her temper and hung tough, at least overnight while I was there, and I thought it was great. I just wanted to figure out some way to keep her mad so that she would hang tough. But previous to that, I had sat down with Vice President Godoy and Alfredo Cesar and told them, and this I got from—some advice from you all, that they still hadn't come, he wouldn't be there until 4 or 5 days later, that somebody should lay it on them that the ax is going to fall, that things were in such a tight situation that if they didn't haul off and do something serious that the money was just going to freeze up.

I think Godoy and Cesar both understood that this was going to occur. They said that they would like to have the opportunity to just sit down with the government itself, which they planned on doing the following Monday and they were going to solve all of their problems, and then 2 or 3 days later they were going to start discussing with the Sandinistas how to go about it.

I sat down with Foreign Minister Leal and told the same thing and told the story about the boy crying wolf, wolf, wolf, and I said, look, we aren't crying wolf any more, the wolf is at the door and you better do something about it if you expect to get any of the money. And he kind of—a very pleasant person, maybe not the most towering strength I have ever seen, but he told me he understood what I was saying.

And then for the first time in my life I met with the Sandinistas. I told them basically the same thing. I said he had as much as any individual who has some property in Nicaragua; you have just as much to lose as anybody else, so when the ax falls and your money is not worth a penny, you are going to be up to your neck in alligators and so forth, and he accepted that.

Everything seemed to be going well when I left and then something fell apart. I don't understand. Do you—maybe John Maisto picked up on it, or what happened that these negotiations, instead of being—I told them they were lucky if they had a week before September, the last of September, they would be lucky. And here we are the second week in—the first week in October and something is not working. I would just like to know if you have any information along those lines as to why—maybe it hadn't collapsed, maybe it just Latino—pardon me, Managua, that type stuff.

Mr. WATSON. I don't think that is the case. In fact, I think that, Congressman Ballenger, that the negotiations are going on. I mean, they are wrestling—

Mr. BALLENGER. I should have known better.

Mr. WATSON. They are wrestling with really tough issues. And what they have to do, of course, is decide that no matter how tough they are, they are going to arrive at the solution and not sit back in intransigence. But I think they are working at it and I think that they were making some progress, and there are ups and

downs. And we keep pushing them and everyone else we know is pushing them, and obviously something like the NGO's there are extremely helpful because it shows that not just the executive branch, the Congress and others, everybody wants them to work out their problems. So it was a process that was going on that has ups and downs.

And then I think the whole process was seriously damaged by the strikes and the confusion, and irresponsible behavior by Daniel Ortega, for instance, of a couple of weeks ago. That set everything back. Now they are starting to meet again. So I think we lost a couple of weeks because of the turmoil around those strikes. But I think that we just have to keep pressing them, because it is absolutely crucial to get a national accord and get the national assembly functioning so that they can solve some of these problems.

You can't have a new organic law of the armed forces which defines the armed forces and its relationship to the civilian power, defines the terms of office of the high commanders and things like that without a Congress approving it. You've got to have the Congress. You can't get a new comptroller, for instance, which is another really important point, there until you have a Congress that will approve the comptroller from names produced by the President. So it is very, very important that we keep working on all sides to get the Congress going and get a national accord.

Mr. BALLENGER. I ask you, if the information that came to me was that possibly UNO thought they were dealing from strength and wanted absolute control, if they redid the Congress and put it back together again, that they wanted control of it to flow out I guess the nonpreviously nine Members of the Congress so that they would be able to operate, and maybe they thought they were dealing from strength. Does that sound like a possibility?

Mr. WATSON. I think one of the crucial issues is the composition of the Congress and the nature of its directorate, as it is called there, and that is one of the things that they are struggling over. I would be a little concerned about speculating too much on what the position of the others are in their discussions between themselves.

Mr. BALLENGER. I understand. They don't—well, they do communicate every once in a while.

One thing I would like to ask, since their money is there, and I know, and most anybody that has been down there has seen what CIAV and the OAS has done, and you mentioned other nongovernment—NGO's. I don't know whether you have the authority—the money is frozen by the State Department, the \$40 million that you are speaking of?

Mr. WATSON. Yes.

Mr. BALLENGER. If you have somebody down there you know produces and does a wonderful job for the people, it sure would be great to not give the money to the government, but give it to where it will go down to the poor folks that don't seem to be getting anything out of all of the money that we have sent down there.

Mr. WATSON. Well, sir, a lot of our assistance, development assistance that is going forward is going to organizations like that, like the two human rights organizations, and free labor unions and other organizations like that. That work is still going on through

our support of—strengthening of democracy initiative there that is being run by AID, which is really quite an impressive series of projects in a difficult circumstance.

Mr. BALLENGER. Right. I have seen the ones that they have done on the East Coast and they are doing a good job there, and I have commended them in spite of the fact that most everybody is giving them a hard time.

I would like to finish with one quote from General Ortega, was that the standard that—late quotation—that the standard Latin military officer gets to serve 25 years and he has only served 13, so he has 12 more to go. That ought to be an interesting situation if he really wants to hang with that. I am speaking with tongue in cheek, I hope.

Mr. WATSON. Well, I would just like to ask the question of where you go once you have been commander of the army.

Mr. BALLENGER. Ask Colin Powell.

Mr. MENENDEZ. I think book sales and movies. Thank you, Mr. Ballenger.

Mr. Secretary, thank you for being with us today.

I would like to call up the next panel, which is the Honorable Elliott Abrams; Jorge Dominguez, visiting senior fellow, Inter-American Dialogue; and Richard Millett, senior research associate, North-South Center, University of Miami.

Gentlemen, we welcome you and look forward to what you have to say.

Mr. ABRAMS. Thank you, Mr. Chairman. I don't have a formal statement. I would like to offer for the record the article to which Mr. Ballenger referred which sums up my view of the situation.

Mr. MENENDEZ. Without objection, so ordered.

[The article, "So Far From God", by Elliott Abrams appears in the appendix.]

STATEMENT OF MR. ELLIOTT ABRAMS, SENIOR FELLOW, HUDSON INSTITUTE

Mr. ABRAMS. I have to say before starting that I had a certain degree of pleasure in what I think is the ex-Assistant Secretary confronting the committee on Nicaragua. It never seems to end.

Just a couple of points I did want to make. First, the economic situation is terrible in Nicaragua, as Assistant Secretary Watson said. But I think the problem is not fundamentally economic. The economic situation is terrible because the political situation is terrible. The economic management by the government is not bad; in fact, I think it is quite good. The reason that it doesn't seem to have any impact is political. The reason that people don't want to invest in Nicaragua is fundamentally political, and as long as there is this much violence and this little respect for human rights and property rights, there won't be an economic recovery, with or without economic aid. There hasn't been one with an incredible amount of economic aid, \$2 billion in 3 years, more per capita I think than any other country in the world, except Israel.

Second, I think that the political problem, the fundamental political problem is that the government doesn't govern. The Chamorro government is really completely isolated politically and has no political party support. There is an acute absence of confidence in it.

The Sandinista Party remains in control of the military and the police, and to oppose the Sandinistas is to risk, and sometimes to lose your life.

It will be important to move the intelligence arm out from the military, but I am not quite sure how useful that will be as long as Humberto Ortega is there, because a lot of the loyalties are not simply institutional, they are personal. A lot of these people have been working for him, indirectly or directly, for more than 10 years, 14 years, and they are going to continue to look to him as long as he is there.

Third, I am really following here Mr. Smith's comment in his opening statement and then Mr. Ballenger's. The work of the CIAV's group is really just terrific. It was really inspiring to see the activities they were undertaking. I would hope that whatever happens on the ESF, the aid goes through to Nicaragua to AID which has some very good programs in Nicaragua, for example, on the Atlantic coast with the Miskitos and other Indian groups to the OAS. If your decision is in the end not to give this \$40 million in ESF to the Government in Nicaragua, I would hope that aid can still be made available to the country through NGO's, through AID, through the OAS.

Fourth, I think the greatest contribution we can make is to maintain our principal positions for human rights and civilian control of the military and respect for property rights.

I was in El Salvador in June and it is a terrific place to visit because things are moving, things are working, the economy is beginning to come back. We used American aid as a lever to try to bring some of those things about, including the departure of General Ponce. It seems to me to be very odd to use it in El Salvador against someone who was really a friend of the United States for many years, General Ponce, and refuse to use the aid as a lever against someone who was for many years an enemy against the United States, General Ortega. I don't see how Nicaragua can emerge from its present crisis while General Ortega remains in charge of the military, and if he is going to remain in charge another 15 months, then they are not going to come out of it for that period.

When I was in Nicaragua in August, the deal that people were talking about was, Mrs. Chamorro, Antonio Lacayo will offer up Lenin Cerna's head, Humberto Ortega will throw you, and we hope that will buy you off. Well, that is the deal they are offering and I hope it doesn't buy you off.

One final comment. We, as all of you have said, as Secretary Watson said, we can't solve Nicaragua's problems. We can push for compromise and conciliation and for a national accord. I think we need to be careful, though. We are not for compromising conciliation. In the end, we are for democracy and human rights and property rights, and there is a danger when we lead the Chamorro government into compromises with the Sandinistas it shouldn't make.

I hope that we will try not only to push for compromise and conciliation, but to toughen up what has been a very weak government in its dealing with the Sandinistas, because in the end, I think that will lead Nicaragua more quickly to political civility. Thank you.

Mr. MENENDEZ. Thank you, Mr. Abrams.

We have a vote going on, so we are going to briefly recess for 5 minutes, go vote and come back, and then we will hear Dr. Dominguez.

[Brief Recess.]

Mr. TORRICELLI. The committee will please come to order.

Mr. Abrams, I apologize for missing your statement. I have, however, read it and will have a chance for us to have a dialogue.

STATEMENT OF JORGE DOMINGUEZ, VISITING SENIOR FELLOW, INTER-AMERICAN DIALOGUE AND PROFESSOR OF GOVERNMENT, HARVARD UNIVERSITY

Mr. DOMINGUEZ. Thank you, Mr. Chairman. I very much appreciate this opportunity to appear before this subcommittee to testify on U.S. policy toward Nicaragua. Although I am currently serving as a visiting fellow at the Inter-American Dialogue, the views I am presenting are only my own. In preparing my testimony, however, I have also discussed them with two Dialogue members, one is Enrique Dreyfus, a private businessman who had served as president of COSEP, and the other one is Xabier Gorostiaga, the Rector of the Central American University in Managua.

Mr. Chairman, you personally, and members of this committee, have devoted, sustained and constructive attention to the problems of Nicaragua, and thus as I was listening to the questioning before and the remarks that you have made, I share the sense of sadness and frustration that I am sure all of us have as we look upon Nicaragua's severe circumstances today.

As my fellow panelist, Elliott Abrams, mentioned in his own remarks, Nicaragua has made some progress. It has taken some significant steps forward, including of course the transition that occurred in 1990, the stabilization of what had been a runaway inflation, and the establishment of a substantial degree of political liberty.

When Dialogue President Peter Hakim and I visited Nicaragua in late August, we were not surprised by the extraordinary degree of distress evidenced among Nicaraguan political leaders with whom we spoke. The great surprise is that we found a significant degree of agreement among these Nicaraguan political leaders with whom we spoke, even though they were surprised when in the end we reported to many of them that indeed they agreed.

In the body of my written testimony, I illustrate that point with three examples which I simply want to call to your attention. The first issue that we explored was the size of the Nicaraguan armed forces. As we spoke with political leaders from the UNO on the one hand and the Sandinistas on the other, the opening positions could not be further apart. One wanted to abolish the armed forces; the other one thought that it was a life insurance policy essential for one's survival.

As we began to ask different questions, it turned out that the positions between that UNO political leader and that Sandinista political leader were nearly identical: a small army, but short of the battlefield helicopters, no Soviet T-55 tanks, and the like. What was striking is that, had these political leaders been able actually to discuss substantive issues with each other, they would have recognized a degree of agreement that certainly surprised me and

clearly surprised them, at the end of our visit we reported on our findings.

Similarly, with regard to the thorny issue that quite properly concerns you, Mr. Chairman, and other members of the committee, and all of us—the civilian control of the military—we found a great deal of agreement: agreement that there ought to be a military law that ought to set a time limit on the army chief and the expectation that General Ortega would indeed step down.

At the time when I was there in late August, the notion was that General Ortega would indeed step down in January of 1994. There was also the sense, of course, that the name of the armed forces ought to be changed. Eventually, as a variety of other agreements were developed, that there was the belief that there ought to be a civilian defense ministry and a substantial legislative supervision over the armed forces. These themes were acceptable, once again, to those across the range of political parties.

The third topic mentioned in my testimony, one obviously of concern to all of you, is foreign aid. We found no one, not even in the Nicaraguan Government, who believed that foreign aid had been used effectively. To be sure, the criticisms varied, depending on the person with whom one spoke, but it seemed to me at the end that there was considerable agreement on at least two principles, agreement that included Sandinistas and the UNO.

One, the Sandinistas seemed prepared to agree that more external assistance should be channeled into increasing output: they understood that, in order for that to happen, there would be more credit, technical assistance, and other means of financing to private business firms, to peasant small-holders, and to private cooperatives with special attention to the export sector. So, too, business executives and UNO politicians understood that the state sector still requires some funds.

Clearly, much work needs to be done but, again, even on this thorny issue, it seems to me, not unlike my understanding of my colleagues views—and they have always felt free to correct me if I am wrong—that there is a basis in the agreement among Nicaraguans for the Congress and for donor agencies to reprogram foreign assistance, looking into the future, to channel it to the private business sector rather than to continue with some of the patterns of foreign assistance in the past.

In terms of my views with regard to the content of U.S. policy, I share much of what I heard Secretary Watson say. The U.S. Government should support the current Government of Nicaragua, which is the constitutionally and democratically elected Government of Nicaragua. It should urge all parties in the conflict to negotiate in good faith. The U.S. Government should strongly support the actions of the Central American President begun a few weeks ago to bring all of the Nicaraguan parties and the government to the negotiating table. The U.S. Government should also support, as Secretary Abrams mentioned, multilateral agencies working on fostering a climate of peace and on advancing development in Nicaragua. The U.S. Government should not side with one party over another, but it should insist on the democratic principles voted in Santiago, Chile, by the Organization of American States to bolster democratic institutions and the protection of human rights.

As I mentioned, I believe that we ought to try to restructure foreign assistance programs to reactivate Nicaragua's economy in order to increase output, understanding that this will be done through the private sector. In the United States, confidence-building on this issue of restructuring foreign assistance is needed as well between the President and Congress. Looking toward the future, I would imagine that it would be helpful if there were to be an agreement that the executive would report to the Congress, and perhaps to this committee specifically, periodically and on an agreed-upon schedule about Nicaragua's progress toward stabilizing its democratic politics and developing its market economy, and, secondly, that U.S. assistance would be disbursed, and not be conditioned on outcomes because this government is so weak, that for the time being, it could accomplish few tasks. It should be disbursed so long as the President certifies that the Nicaraguan Government is acting in good faith.

If I have a disagreement with Secretary Watson, it is that he spoke at times as if the Nicaraguan Government was governing Nicaragua fully. The problem is that the Nicaraguan Government has very little power; part of the idea of trying to bring the various parties together and to focus on the substantive agreements—despite the extraordinary distrust—across the political spectrum in Nicaragua is to create power where there is now none. That, I think, is the practical goal toward which we all should work.

Thank you, Mr. Chairman.

Mr. TORRICELLI. Thank you very much.

[The prepared statement of Mr. Dominguez appears in the appendix.]

Mr. Millett.

STATEMENT OF RICHARD MILLETT, SENIOR RESEARCH ASSOCIATE, NORTH-SOUTH CENTER, UNIVERSITY OF MIAMI

Mr. MILLETT. Thank you very much, Mr. Chairman.

A week ago marked the 30th anniversary to my first visit to Nicaragua and this month marks the 16th anniversary of the first time that I testified before the U.S. Congress on conditions in Nicaragua, and in some ways this is like rewatching the reruns of an overly long and not very good movie.

The problems in many ways are terribly persistent. I find myself, though, in a rather unique position after all of these hearings of being in general agreement with the administration and at the same time even in agreement with some of what Mr. Abrams has said, a good deal of agreement with most of what Dr. Dominguez has said.

I would like to try to put a little of the perspective of this long career of following Nicaragua, which hopefully may do something for my credibility, although perhaps having devoted 30 years to Nicaragua not to my judgment.

First of all, Nicaraguan politicians have, since William Walker arrived in the 1850's, tried to manipulate external forces to take part wittingly or unwittingly in their own domestic disputes. This has not ended.

Assistant Secretary Watson's declarations that we must emphasize that Nicaraguans must be responsible for their own decisions

is extremely wise advice. They will resist it. In all factions they will do what they can to gain support for their position within the internal disputes from here in the United States. They will continue to seek solutions to Nicaraguan problems in Washington. It is a sorry history to which we have contributed all too much. Its end is long overdue.

Certainly, I would agree that we are dealing with a very weak, ineffective and unpopular government. What we can expect from this government is limited. But what are the alternatives to it? This government is legally constituted for another 3 years. We have a great stake in seeing this government succeed as much as it can, regardless of our like or dislike of any personalities involved. We have a lot to lose if the government fails and the country lapses into total chaos.

Civil military relations are a key part of the Nicaraguan dilemma, and General Humberto Ortega is obviously at the center of this. I would agree with statements that have been made that no real progress is made until at least a fixed date in the relatively near future for his departure is set.

I think we should not kid ourselves that his departure will solve the problem. It is a first step; it is not a solution. And, here again, I think this is a great opportunity for us to stress that what we want in Nicaragua is precisely what we want in Guatemala, in El Salvador and Honduras, throughout the hemisphere, and that is a military establishment which is subservient to civilian authority, where officers are held accountable for their abuses of power—nothing more and nothing less—that Nicaragua is far from being a special case in this, that what we want in Nicaragua is precisely what we demand everywhere else.

But using U.S. aid as a lever to get that is an extremely difficult and dangerous proposition. I do not agree that the situation is fully analogous to that in El Salvador with General Ponce. That was an army that we had trained, we had financed; we have not put one cent into this army. It is hardly our creature, and our responsibility in that regard is certainly less.

Beyond that, that is very dangerous. I think it would play into the hands of Humberto Ortega to make this a dispute between us and the Sandinista officer corps, between us and Humberto. This is a Nicaraguan matter. It would also be dangerous for us to give any kind of a veto over U.S. aid to any political faction. The best solution, and there are some hopeful signs that this may come about, would be a reintegration of the National Assembly; that assembly passing a new military organic law which would provide the legal basis, at the moment lacking, for the removal and replacement of General Ortega, for setting firm limits on the authority and terms of future military commanders, and for finally setting the basis for an effective civilian defense ministry, which does not exist in the country.

But Nicaraguans again must work this out among themselves. And any U.S. actions that would be perceived as supporting one or another faction here could be a serious mistake. This is a terribly difficult thing to deal with, because as I suggested, the Nicaraguans will try to make whatever action the United States takes

appear to be supporting or against some faction. They have done this for years, and they will continue to do it.

Finally, the problems in the military, the problems of accountability, the problems of returned property, the problems of investigating the arms caches, all reflect a much more fundamental problem, which is the virtual collapse of anything approaching a functioning judicial system in Nicaragua. That is where some of our emphasis and that of the international community must be placed. Nicaraguans' legal systems in many areas simply do not function. Unfortunately, this is true of all too much of the hemisphere.

Until there is a functioning judicial system, it is probably impossible to expect the military to submit itself to a system that doesn't exist, or doesn't work. It is probably impossible to affect—to expect effective dealings with issues like returned property. These things are all terribly interrelated.

You have a government that is weak, you have a political system where all groups are notoriously unpopular, where over 60 percent of Nicaraguans express no faith in any political party, although interestingly enough, half of them still express faith in the President as a person, but not in her administration, a division which is almost incomprehensible I suppose in our political context, but works very well in Nicaragua. They have no faith in any of these systems—any of these situations.

The government has terribly limited resources. Progress is going to be slow. There are going to be endless problems. But the solution is probably not to try to totally cut this government off at the knees or to demand impossible and rapid solutions from it. It is, again, to pressure all factions in Nicaragua to work together to keep the country from falling further into the economic abyss in which it appears to be sliding.

I think the conversations that all of us have had with Nicaraguans, all of us on this panel, Assistant Secretary, I am sure all of you have had, have indicated that one-on-one, Nicaraguans are increasingly aware of this. The problem is that once there, left to their own devices, they tend to go back to playing politics as usual. That is something that neither they nor we can afford any longer.

Thank you very much.

Mr. TORRICELLI. Thank you very much, Doctor.

[The prepared statement of Mr. Millett appears in the appendix.]

Mr. ABRAMS, let me first congratulate you. I consciously have gone 42 years without reading the National Review. By submitting your testimony in the form of its article, it was unavoidable. I hope I can be forgiven in the Democratic Caucus.

Mr. ABRAMS. This may be the largest accomplishment I have ever achieved in testifying before Congress.

Mr. TORRICELLI. Mr. Abrams, give me your own sense of the consequences of the pledge to assume civilian control of the security forces by Mrs. Chamorro, and her announced intention to remove Humberto Ortega from his command post in the armed forces.

Mr. ABRAMS. My impression is there is less than meets the eye. The decision with respect to Humberto Ortega is that a date unknown that could be 15 months away. So the impact of that depar-

ture tomorrow on politics in Nicaragua is limited, even if you believe it.

Mr. TORRICELLI. That was my next question.

Mr. ABRAMS. Well, while Humberto Ortega is in power over this indeterminate period, it seems to me that his influence over the intelligence apparatus will be quite large. The intelligence apparatus has essentially been loyal to him for 14 years. But there was a time when it looked as if they were loyal to Tomas Borge, but it is interesting to see now in retrospect that they really were working for Humberto Ortega and Lenin Cerna was working for Ortega.

Mr. TORRICELLI. You think it may have been this way all along?

Mr. ABRAMS. This impression I had asking people about it during the visit was that we just got it wrong, that Cerna was really loyal to Ortega. As long as Humberto is there, it seems to me, that the personal loyalties are so strong that it is going to make it extremely difficult to create this new and independent institution responsive to civilian control, even if you, you know, you move the blocks on the organization chart over to the presidency.

I mentioned, I think you were not in the room at the time, that when I was in Nicaragua, people said to me, the deal that Tony Lacayo will offer the U.S. Government was lending Cerna's head and we will hope that that buys you off.

Mr. TORRICELLI. Mr. Menendez told me.

Were you in the Nicaragua recently before you wrote this?

Mr. ABRAMS. In August.

Mr. TORRICELLI. In August? Before or after the explosion?

Mr. ABRAMS. The explosions were before that. They were in May.

Mr. TORRICELLI. Well, before or after, then, the other caches were found? The last caches were found in July?

Mr. ABRAMS. Yes. They had been found before I went down there.

Mr. TORRICELLI. Tell me, then, from your conversation with Nicaraguans your impression, their own interpretation of the lines of responsibility and what was continuing to occur.

Mr. ABRAMS. Obviously, the Sandinistas to whom I spoke had one view and the anti-Sandinistas had another. The anti-Sandinistas had the view that the Sandinistas knew a lot about this, that it couldn't have happened as Secretary Watson said, couldn't have happened in the course of the 1980's without at least the high command knowing all about it, and retaining that knowledge.

The Sandinistas had a kind of interesting view, which was they blamed all of this on the FMLN, and I must say I sympathize with that to an appreciable degree. They have a lot to blame to the FMLN, if you think back to the very early years when they were offered basically a peace agreement by the United States and turned it down out of solidarity with the FMLN. They have done a lot for the FMLN over the years and they feel that they are continuing to suffer because of it, and the most recent example is that these arms caches are discovered. I didn't get the impression from the Nicaraguans I spoke to—anti-Sandinistas answer anything—that they thought this was a big current problem.

Mr. TORRICELLI. You don't think it has a significant political impact on the Nicaraguan electorate?

Mr. ABRAMS. No, I did not have that impression. The impression I got was these were things from the past, and it was bad that they were still there, but that they were not currently a threat.

Mr. TORRICELLI. And in the delineation of responsibility between the Borge worlds and the Ortega worlds, is there a presumption in the minds of Nicaraguans with whom you spoke, and indeed is there any corroboration of the newspaper reports of Borge running to the scene?

Mr. ABRAMS. No one I spoke to had been there, but it was pointed out that it was credible because he lives right there. The reason he was able to run over was that you could hear the explosion from his house. Now, whether that is circumstantial evidence that that was why it was put there is a different question. No one offered an opinion on that, and I did not get any opinions either on whether—on who would have been in charge of this solidarity with Guatemalan and Salvadoran and other guerrillan terrorist organizations in the course of the 1980's.

I would offer my own view that these were important things that would have been discussed in the directorate and that Borge and Ortega and others would have known at least in principle, if not the exact location, at least in principle that it was—

Mr. TORRICELLI. That it was happening.

Mr. ABRAMS. Exactly.

Mr. TORRICELLI. Let me open these questions up to the entire panel, if you are interested in responding. Mrs. Chamorro's difficulties with UNO and now her public disagreements with the Sandinistas, does this largely leave her without a constituency and in the country with which to govern, including the national legislature, and that being the case, can a constituency be reconstructed? Would you predict that she will be able to do so, or are we simply going to muddle through these remaining years of her term with no effective governance?

Mr. DOMINGUEZ. This is an extremely weak government and, as you put it, she no longer has a constituency, either the one that elected her or the one that she may have gathered otherwise by the actions of her government. My sense, therefore, is that what one can attempt to do is to try to look for agreements among the various parties, including the Government of Nicaragua, that would at least begin to build some political structures.

An earlier question was asked of Secretary Watson about the institutions, such as a new military law that would set a limit for the army chief, or reconstituting the leadership of the National Assembly so that it would be possible to govern.

Reconstituting the leadership of the assembly means bringing the UNO back into sharing its leadership, not just to sit in the assembly. There are a variety of agreements of that sort which, I think, can create a basis for a political process to go forward.

Mr. TORRICELLI. But could, going back several months, our own interests within the confines of two states that respect each other's sovereignty, our own interest was clearly expressed in Mrs. Chamorro having a national reconciliation, and dealing again with UNO in constructing an operating majority. It appears to me she attempted to do so. The question then becomes, is it possible, add-

ing that pressure again and granting more time liable to yield anything or is this simply not going to occur?

Mr. DOMINGUEZ. Let me just add a word; then, I realize that my colleague, Dick Millett, wants to say something as well.

Take an example. I was not there at the moment of caches, but I was there at the moment of the kidnappings. And if you were to ask me about the kidnappings, the same question you asked Elliott Abrams about the caches, the answer would be the same whether you speak with the UNO or the Sandinistas. They were ready to believe on the UNO side that the Sandinistas had organized the kidnappings, and on the Sandinista side they believed that the UNO was involved in the kidnappings. The degree of mutual distrust is extremely high.

Now, in that context can anyone agree on anything? What surprised me is that we could hear agreements in the final days when we were there at a dinner, we got UNO and Sandinista politicians to say things like, yes, one could imagine a reconstituted directorate of the assembly that would have supporters of the Sandinistas, the UNO, and the Chamorro government sharing responsibilities. What obviously could not be accomplished over dinner was to say OK, let's now work out the details. Only Nicaraguan politicians can do that. Despite the enormous distrust where one party thinks that the other is organizing a kidnapping, I do think that there can be much more progress toward an agreement than would meet the eye just from the opening remarks of the Nicaraguan politicians.

Mr. MILLETT. I would agree with that. Again, the first thing to keep in mind is that no political faction in Nicaragua has that much of a constituency today. Nobody is that popular. Nobody can count on a quarter of the electorate in any poll. The Sandinistas, they have the largest single block, but it is a minority and it is probably declining and they are showing increasing signs of fractionating.

I think it is possible, and partly because she does still retain a significant degree of personal popularity, to form these kinds of coalitions. It is going to be difficult and the very process of forming them is going to alienate some of their people and produce new fractions, and these may have to be formed and reformed on an individual issue basis.

But the best thing to do, again, is to get the dialogue regoing, probably in the assembly, get the UNO deputies back in there, reorganize the leadership and the big losers in this will probably be that so-called centered group of nine deputies.

It is going to be tenuous. It will always be tenuous.

Mr. TORRICELLI. So, Mr. Abrams, tell us where does that leave us? There are three committee—three decisions before this committee that we could share with the administration.

We could simply conclude, that having asked Mrs. Chamorro to undertake a number of actions, if she failed to do so, we have other priorities, so we wish them well and there will not be a check forthcoming. We can restate the milestones of a number of months ago and ask them to readdress them with added vigor. Or we can simply, given the desperation of the situation and what steps she has taken, proceed without amending the choices.

How, indeed, would you advise us to proceed?

Mr. ABRAMS. My advice would be, given the misery of the situation in Nicaragua, not to have Nicaragua lose that money as a country. So I would say that if you don't give it to the Government of Nicaragua as ESF, that there be kind of a reprogramming that permits it to go as DA or through the OAS.

Mr. TORRICELLI. I think Mr. Dominguez made that recommendation. But the reality, given the number of American businesses, is quickly being consumed in maintaining currency and debt repayment. And tell me if you disagree, routing the money from different routes does not take away from the end of the day the Nicaraguan Government becomes insolvent.

Mr. ABRAMS. Whether or not the government is insolvent, it seems to me, is less important than whether that aid goes through directly to people who are living in increasing misery. You have given, you and other governments and the international institutions have given that Federal Government \$2 billion in 3 years, and misery is increasing every day in Nicaragua.

So if you look at it from the bottom up, from the point of view of the misery of the people, it is less important whether that particular amount of ESF's goes through.

Mr. TORRICELLI. Your choice is a fourth option. You would provide it to the Nicaraguan Government, but increasing, as Dr. Dominguez has suggested, move it not to government organizations.

Mr. ABRAMS. That is right. I would just add to that, I find it very hard continuing to send that ESF when they can't even make the admittedly difficult, but I would say, fundamental decision to get Humberto Ortega out.

Mr. TORRICELLI. They have made the decision. It is a question of—

Mr. ABRAMS. Implementing the decision.

Mr. TORRICELLI. Thank you each for your testimony.

Mr. Smith.

Mr. SMITH. Thank you very much, Mr. Chairman.

I, too, want to thank you for your testimony. It has been very, very helpful to the committee.

Let me especially welcome my old friend, Mr. Abrams. Particularly when he was Assistant Secretary for Human Rights, we worked very, very hard around the globe promoting human rights issues and democratization. Then, of course, in a more specialized way in Central America, we continued that work. I just want to applaud you for your continued interest.

For you, I think it is not just a job, and it has never has been just a job. Your work has been a mission to try to enhance the lives of people who deserve better. Certainly the Nicaraguans deserve better than they have gotten. Hopefully, a brighter day will be in the future.

I want to pick up again on a point you were making. Having been here 13 years, I know when Congress starts to move in a certain direction, whether it be conditionality or some other policy, it very, very often gets locked into that policy. Then, to return to a policy takes heaven and earth, such as the MFN for Romania.

After 3 years, we were able to remove MFN because of Ceasescu's regime, and it has been very difficult to get it back. You make a very, very strong, persuasive argument in your article, Mr. Abrams, that once we move toward cessation of aid to Nicaragua, the intended recipients who are suffering, the poor, the peasants, they may find themselves in much worse straits than they were before.

As you point out in your comments today, you were unprepared for the misery that you saw. I would concur that CIAV and OAS are more recently doing an outstanding job. We need to know very clearly from all three of you, with the aid that is in the pipeline, should we be looking for NGO or OAS-sponsored projects to which we can direct those funds in the immediate term, before those needed reforms go forward? At this point I get the sense that the administration is in limbo. The administration is not doing anything except jawboning which it has to do, of course, but it is not prepared to move ahead with that money at the current time.

Mr. Abrams.

Mr. ABRAMS. Well, I would just add to your list of NGO's and OAS, is AID. I am not suggesting that U.S. Government programs are not effective. Some of the AID programs go right through. They create employment, for example, for the Atlantic Coast.

Those are good programs. But many just—the argument that we absolutely have to support the Government of Nicaragua, seems to me, is really not persuasive, particularly when the government is not yet doing very much to solve and even to address many of these problems.

Mr. Menendez said before, these are going on for a long time. We have been talking about these property cases and the Jean Paul Genie case for a long time. No progress in the murder of Reje Vermotes. Arges Sequeira was murdered. By the way, the anti-Sandinistas do believe they were involved in that and involved in the kidnapping in Nicaragua.

If you look at the level of Sandinista involved, it is hard to believe that these were people operating without any kind of central direction. Those are pretty high-ranking people. So the kind of national reconciliation this achievement—which would be striking a new leadership in the national assembly so you had a sense of change and action and movement that might make it worthwhile to invest in. I would give it not to Tony Lacayo, but to the people you might meet on the streets there begging.

Mr. DOMINGUEZ. My own sense is that more effort should be focused on trying to reactivate production. That means using a variety of other nongovernmental channels.

Let me give you an illustration of part of the problem. When I was there in late August, there was a foreign investment about to take place in the telecommunications sector of Nicaragua. Nicaragua has a poor telephone system. That investment sought insurance from the World Bank MIGA program, which was denied on the grounds that there was political instability in Nicaragua.

Well, on one level, I can understand someone at MIGA looking at it in that way, but it does mean that the capacity to reactivate the economy would be aborted. Instead, I would let that investment go forward because it will do a great deal of good. There was also

concern that OPIC would stop issuing its insurance policies in Nicaragua for foreign investors who are trying to develop the economy.

It seems to me that these kinds of programs that are intended to activate the capacity of the private sector to produce and to bring Nicaragua back to a reasonable level of output, deserve our support, from the U.S. Government, the World Bank, even beyond the comments with regard to the channeling of assistance that Elliott Abrams made a moment ago and that I presented in my testimony.

Mr. MILLETT. I would agree certainly that most of the money is used much more effectively through the existing AID programs and the NGO's, and the Nicaraguan Government has not used the money well. It is also quite clear that the investment climate in Nicaragua is bad, not just because of political instability, although that is the biggest single reason, because of a devastated infrastructure, a miserable telephone system, nonfunctioning judicial system. But one of the few accomplishments, concrete accomplishments of the Chamorro government has been to essentially squeeze the inflation out of the economy. And again, if this decision of international support reignites inflation, that is going to further devastate the economy, further discourage investment and further hurt the poor.

We are again caught here with very, very difficult choices. You have to be careful that we don't do things that are going to help reignite inflation in that country. That would be simply adding one more disaster on an incredible list of disasters.

Mr. SMITH. Mr. Abrams, in your article you speak about your discussions with CIAV representatives when you were in Nicaragua. With incredulity they would ask, how is it you treat your former enemies, FMLN, so well in terms of providing funds, and you provide your former allies, the ex-contras, with perhaps only one-tenth of the monetary funding going for demobilization projects?

How do you respond to that? You declined to respond in your article, and I want you to have the opportunity here.

Mr. ABRAMS. I think the real answer is Washington politics as opposed to any reality on the ground in Nicaragua or El Salvador. It was much easier to get a consensus for aid to the former FMLN fighters than to get aid to the former contra fighters and that, in fact, that aid went through at a higher level. And one of the reasons that I think it is so important to continue and to even increase the CIAV program, is that they are about the only game in town when it comes to helping the ex-contra combatants. Although I should add, they also help the ex-Sandinistas.

Mr. SMITH. One final question. As you probably know, a new investigative commission has been assembled with three jurists from Brazil, Peru, and Mexico, and the assistance of an OAS lawyer. The hope is they will investigate in a way similar to the Truth Commission in El Salvador. Particularly where there is an impasse, it is hoped the commission will get to the bottom of some of the problems.

Have you been following that new commission? Do you have any feedback on whether or not you think it may be helpful?

Mr. ABRAMS. I have no feedback yet that indicates whether it has done enough to form a judgment.

Mr. DOMINGUEZ. Nor do I. But I do think that it is useful to bear in mind that Nicaraguans again, of all views, expect an international actor to play a role to helping them settle their differences. They recognize that their differences are profound, and that they cannot make all the progress that is necessary without the constructive role that this commission could play or that more generally, the international institutions like the OAS and the United Nations have been playing, or that the more informal ad hoc groups like the Central American Presidents could also play. It seems to me that is a plus. It shows a general willingness on the part of various forces to welcome this kind of international assistance and, eventually in certain matters, to welcome verification that the agreements eventually reached will in fact be enforced.

Mr. MILLETT. My experience is the same. I think there is one point that perhaps deserves a little underlining here, though. Even among the Sandinista, I think you find this recognition that you need this kind of commission. You need this kind of impartiality. You need this kind of international voice, I should say, among the civilian Sandinistas. You have got the problem of military, to a lesser extent, police impugntiy which oddly enough may indicate you are getting a split between the military side of the Sandinistas and the nonmilitary, following a traditional Latin America pattern where the military is becoming very concerned about its own impugntiy privileges. Others are much more concerned about the effect on the country as a whole, if these issues are not resolved.

Mr. TORRICELLI. Mr. Menendez.

Mr. MENENDEZ. Thank you, Mr. Chairman.

Gentlemen, I want to somewhat speak out loud and maybe have you respond to the concerns I have as I listened to each of your testimonies. You know, my concern is this almost driving position, almost as it is taking a life unto its own, that we support the Chamorro government under any set of circumstances. Maybe that is a little extreme, but support her government, one, as Dr. Dominguez says, in your list of eight points, because she is—her government is the constitutionally, democratically-elected government. Of course, that is an important fact. But support such an elected government to do what? And on the basis of doing what support?

When the choice was made to deal with the elite of the Sandinistas instead of the people, the peasants of the country, if we do not see progress on human rights violations, if we do not see the movement of civilian control over the armed forces, you know, the questions that I had when I listened. And then I listened to Dr. Millett say, don't get involved, and I can see the value of the statement that says, you know, they must decide for themselves. But the question is while we do not get involved and we—and I don't believe in getting involved in one side or the other per se, but when we use our aid here and we are told support—and support doesn't mean just support her—you know and when I say "her," I mean her and her government, Mrs. Chamorro's government—but support them economically.

What are our guidelines for support for us, for the United States? What I am concerned about, and I saw—wrote down I think what was the correct comment from Mr. Abrams that—don't have President Chamorro make compromises she shouldn't make, that we should be about democracy, human rights, return of private property, and all those issues.

As I listen to the testimony of all three of you, it conflicts in my mind that do we raise to the level that we support because, simply, it is a democratic-elected government. Of course, that is important, but do we not go beyond that. We can, in fact, and should withdraw support if certain bases aren't met. Because how long do we continue down the road of national reconciliation, a reconciliation toward what? Under what basis? Under things that we as the United States promote? And that is what my last concern is, and I hope you understand what my concerns are.

But, Dr. Dominguez, in your conclusion, you say the basis for future U.S. policy ought to be that Nicaraguans have demonstrated they can agree to make settlements, and what they do, they can accomplish much. But what settlements, under what interests? Under things we are willing to support?

You know, do we support simply because they have gotten settlements and do we want to support—you know, sometimes I wonder if our policy, not only in Nicaragua and elsewhere, as long as we don't have a problem, let's support it. Let's support the status quo. In the short term, it will cost us less. In the long term, it will cost us a hell of a lot of money. Maybe you can all respond to that.

Mr. DOMINGUEZ. I understand your frustration and agree certainly with the frustration. Perhaps, I can answer this way. If there had been no evidence that the Chamorro government had done any good or that the process of the last 3 years had produced no good, then, it seems to me, one could say the heck with it. But, in fact, there was an election in 1990, and political power was transferred to those who won that election. There is a climate of political liberty in Nicaragua that is unprecedented in that nation's history.

It isn't just that there was one election. It is that there is a great deal of continuing public contestation and respect for that contestation. There was also a runaway inflation; there isn't any longer. There has been a significant policy of stabilization of the economy, and extraordinary achievements, in many ways. There was a gigantic military establishment which has been reduced, not only by ending the military draft, quite properly, but also by reducing the number of military officers. I would refer to those facts when I say that there have been promises made on which something has been accomplished.

So the government does have a positive record. It is a record that is insufficient. It is a record that has gotten very problematic, and with a great many setbacks in the last several months. But it is my hopeful expectation that a people who have been able to reach and make those significant decisions can do so again. It is a question, quite properly, that you, as a Member of Congress, and your colleagues in the U.S. Government, and we as individuals, would want to revisit, if we see some months from now that there is no further fulfillment. But on the basis that there is enough of a good

record, there is at least enough hope to say that, yes, there ought to be a chance to give Nicaraguans another chance to put their country back together. That is the reason for my conclusion.

Mr. MILLETT. When I asked my great aunt when she was in her mid-nineties, what it felt like to be so old, she said pretty damn good when you consider the alternative. That may be the problem in Nicaragua. There is again—what alternative is there to the Chamorro government? It is the only government there is. It is the elected government. It has made the accomplishments which Dr. Dominguez has outlined.

I think a lot of what we are saying when we talk about supporting it, is supporting it when it acts as a government, when it does take effective leadership. Supporting determinations to begin to exercise effective control over the military and over the intelligence services. I think we need to see these in the sense of statements of hope.

We support the government to the extent that it can act as a government. We want it to act more as a government. The alternatives are certainly much, much worse.

It is very flawed. There are few governments on this planet that are not significantly flawed in one way or another. It is weak. We want it to be a stronger government. But the prime responsibility again will rest with Nicaraguans, and you don't make it stronger by affiliating yourself with various internal factions in the political disputes in that country.

Mr. MENENDEZ. One very quick follow-up to both of your comments. And I appreciate what you said Dr. Dominguez, but you say don't get involved. And maybe I am misunderstanding your "don't get involved." Don't get involved in one side or the other?

I am not concerned necessarily about getting involved with one side or the other. What I am concerned about is establishing a threshold by which we expect people, in return for our aid, because we have—we don't give aid just simply for the sake of giving it. You know, there are only a handful of peaceful diplomacy tools that I know: International opinion, foreign aid and trade. Those may be the only three.

What are the thresholds that you establish? Is that violating your "don't interfere and support the Chamorro government" position? That is what I am trying to grapple with.

Mr. MILLETT. And you are right again. These are very tough lines to draw. I think you can hold the government to its own statements. You know—yes, let's see a firm date set for Humberto Ortega's replacement. Let's see some effective means of transferring the intelligence function out of the military to the presidency. Yes, let's see some progress made in creating a real civilian defense ministry.

These are goals the government has set for itself, and set very publicly. And I think we can reasonably expect compliance with its own goals. But these are because these are the—I say again, these are the standards we set for all countries of the region. This is exactly what we demand of a Guatemala, or a Nicaragua, or a Honduras, and ought to demand. And we have to make it clear that the standards we are holding Nicaragua to are the standards we are holding everybody to, not because we favor one particular fac-

tion or another, not because we are concerned about the personality of one leader or another, but because our issues are very much concerned with establishing the fundamental principles of the rule of law and the development of democratic institutions.

Mr. ABRAMS. If I could just jump in on that. I think I would take a somewhat harsher view of the record of the government. Technically, provision of economic management, I think, yes, which helped on the—a lot on inflation, but they are not governing. The government that does not govern—it is government that has chosen not to govern, that has chosen a strategy of retreat and withdrawal before challenges from the Sandinistas, and we are paying for that. And the question is really, at the end of 3 years, do you want to go on paying for it?

Mr. TORRICELLI. Ms. Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman.

I just have a few questions. But I would like to begin with just a comment, that you know you are in a country that is not going to get the best-in-tourism award when people begin their statements, as our panelists have done today with statements, "when I was in Nicaragua it was during the kidnapping," and "when I was in Nicaragua was during the explosion." I wrote them down. "I was in the Nicaragua during the paralyzing strike," and "I was in Nicaragua during the second discovery of the weapons cache." So I don't think that is going to be up there with the must-visit list worldwide.

I would like to ask Mr. Abrams about an item in his National Review article that says: "These ex-comandantes, too, feel abandoned by their own government and by ours—a verdict I could not in good conscience contradict. But they have decided to organize, as one put it, 'to continue the struggle in the civil arena.' They are starting the Nicaraguan Resistance Party."

If you could tell us a bit about the party, which you say has attracted 100,000 members, and what some of the goals are of this party?

Mr. ABRAMS. As Dr. Millett said, there is a lack of confidence in most of the leadership now. The parties are kind of discredited. So some of the former combatants, the higher levels formed this Nicaraguan Resistance Party and they have been attracting a tremendous amount of support. I thought the number 100,000 was crazy when it was told to me, but apparently it is reasonable for people that have some affiliation with the party. The people who are behind this take the view that the ex-combatants on both sides have really been abandoned and live in enormous—in very deep poverty. And they view their constituency as not only the ex-contras but as the ex-Sandinistas, but they are campesinos or former campesinos who fought for what they thought was right and really got nothing for doing so. And they are trying to provide and alternatives that are not found, they think, in any of the traditional parties left, right or center, which have not managed to do anything to alleviate the growing poverty.

They are doing this without any resources. That is a problem. The old parties on the right have business resources behind them. The Sandinistas have a lot of money, and they don't really have any. That is going to be a problem for them.

But they seem to me to be something hopeful down the road, because they represent people who are not compromised in the way that so many of the current and former leadership is compromised.

Ms. ROS-LEHTINEN. Thank you.

Dr. Dominguez, you had said that the government has little power. Do you make that statement, and others have echoed that, because of the weakness of Violeta Chamorro, or do you mean constitutionally they are not afforded those responsibilities? And if the government has little power, who do you think has the power in Nicaragua?

Mr. DOMINGUEZ. Formally, the government has all the power; in reality, it has very little. In order to be able to get a variety of policy measures adopted, President Chamorro needs the support of other parties. Not only can she not fire General Ortega at the moment when she says she is firing him, but she is finding it increasingly difficult to adopt even other kinds of lesser measures. She needs a coalition to ensure the normal functioning of the government.

Political power is greatly dispersed. It resides in any number of groups. It is even difficult to speak of power, say, in the UNO or in the Sandinistas, because each of those coalitions is sufficiently divided internally that their own capacity to act has been weakened. The capacity of each coalition to maintain a united position—except on relatively modest issues—has become more complicated.

Part of the difficulty in even getting to the negotiating table is to identify who speaks on behalf of “fill in the name.” One of the reasons, though, why negotiations are all the more urgent is to try to create and concentrate some power where there is now very little that exists or that is concentrated.

I mean, it is a practical problem of the first magnitude. But it is very hard to say that there is an alternate government out there; there isn’t. There is really no one managing the nation’s affairs in any manner in which that word would make sense.

Ms. ROS-LEHTINEN. Thank you.

And Dr. Millett, how would you say that the privatization—the process of privatization is making progress in Nicaragua? How important is that and do you see much movement in that direction?

Mr. MILLETT. Limited, very limited. It is again partly because—especially after the kidnappings, you know, who wants to invest. Who wants to put their money, the money that fled the country in the late 1970’s and 1980’s, most of it has not come back.

There is very little new foreign investment going in. There is some, Exxon is considering a very significant investment which would be quite a breakthrough and might encourage some people. But essentially, this has gone forward very slowly, the resolving.

I agree exactly with what Dr. Dominguez has said about the government’s—the incapacity of the government, the fact that no one—everyone has little quotas of power and everyone seems more afraid of losing what little power they have than anything else. That becomes the first preoccupation: Defend your turf. The sense in which you could compare is, I suspect, the situation in Nicaragua politics and the situation in Los Angeles gang wars, and that may be the worst possible analogy, but, unfortunately, at times it fits.

You are dealing with a population that is desperate and disillusioned. This again explains the recontras manipulated by the groups of the right or the recompas manipulated by the Sandinistas. These people are so desperate they are probably willing to join. If not, they are probably available fodder. They will join anything that offers them hope because the current situation not only offers them no hope, it offers them no avenues to address their problems. Not through the government bureaucracy or the legal system, not anywhere.

Ms. ROS-LEHTINEN. Antonio Lacayo would you estimate—would you say that he is one the key players in Nicaragua—

Mr. MILLETT. Certainly.

Ms. ROS-LEHTINEN [continuing]. With the power struggle, one of the top persons?

Mr. MILLETT. Very much. He is a key player partially because of his personal relationship with the President. He is capable. He is educated. He is, I think, an engineer. I think at times he approaches problems as an engineer, which certainly has advantages and drawbacks, especially drawbacks, in the political arena. But again, his power is very, very limited. He can keep things from happening. He can protect turf. He can't influence government appointments, but in terms of being able to shape the basic course of that government, he cannot get anybody to invest. He can't aspire confidence.

He can't make the judicial system work. He can't—he wasn't even consulted on the President's announced decision to accelerate the removal of Humberto Ortega. His power itself, while it is probably as much as anyone's, except for the President's, is extremely limited.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman.

Mr. TORRICELLI. Mr. Diaz-Balart.

Mr. DIAZ-BALART. Thank you, Mr. Chairman.

I commend you for convening this panel of true experts on the Nicaraguan situation.

I have been fascinated by the voluntary refusal of the Nicaraguan Government to take power. Ever since they did so, ever since they were awarded the government, I think very, very bravely, courageously by the Nicaraguan people and at the moment of taking the government, refused to take power. And I have been fascinated by the motivations for that.

I wonder if our panelists have any opinions with regard to the motivation. Would the motivation have been more rooted in President Chamorro and Mr. Lacayo believing that they would benefit from the status quo of having government and not power with the Army—I know he changed uniforms, but he is still there, Mr. Ortega, controlling the armed forces—that they would benefit in tangible ways because of that situation, or whether the motivation was more one of resignation due to the fact that there would be an inevitable coup? I have been fascinated by that.

I know that in the Chilean situation there was the inevitability of the constitutional reality of having to accept General Pinochet after a certain amount of time but, without a doubt, General Pinochet has nowhere near the power in Chile that the elected government has. But yet in Nicaragua, having betrayed the very cou-

rageous act of the people in handing government to an elected group of people led by President Chamorro, and having betrayed the people by not taking power, not trying to take power, is something that is fascinating. Do you have any opinions?

Mr. ABRAMS. I think it is a combination of things. I think—well, many Nicaraguans will tell you there is corruption involved here, in part, that is there are allegations of business dealings between Mr. Lacayo and the Sandinistas, I have no knowledge that. I have no way of knowing whether it is true or false. It is a political fact that there are many Nicaraguans who believe that. Put that aside as something that can't be proved.

It seems to me that you can make a good argument on behalf of Mrs. Chamorro that she did not want a confrontation with the Sandinistas. That confrontation would have left the country in disorder, it would have meant there would be no economic recovery. It would have meant there would never be peace or law and order. And the way that—therefore, the way to act sensibly was deal with these entities slowly over time. Compromise with them. If that is what she thought she was doing. And I think that is a reasonable theory of Mrs. Chamorro; it was exactly the wrong thing to do. Because, in fact, what she has produced is no law, order, lots of violence, no economic recovery. Exactly what she was trying to avoid. And the Sandinistas knew in the first strikes that took place after her inauguration in the spring, 1990, that they were now going to be able to get away with literally murder, because the government reacted by pulling back instead of pushing harder.

I think it is inconceivable that there would have been a military coup. She could have on the election day—at her inauguration, she could have announced: Humberto Ortega, you are out tomorrow morning there was going to be no coup. So I think it was a theory in which the government decided it was weak. And I would have to say that one of the things that contributed to this decision that it was weak, was reality, because clearly the Sandinistas had the army and intelligence apparatus, so there was an element of that.

The other element I think was one can't avoid this kind of class problem of Mrs. Chamorro, as Arturo Cruz, who is a Nicaraguan historian put it: "For Mrs. Chamorro to negotiate with the Sandinistas was to negotiate with relatives, for Mrs. Chamorro to negotiate with the Sandinistas was to negotiate with peasants. She didn't want to negotiate with peasants."

I think there was an element of the hierarchy, the elite in Managua, fooling around with political power among themselves instead of having the courage to go out there and really change Nicaraguan politics by saying that is over and now we will have politics based on the desires of the masses who elected us. She didn't do that. And that, I think, is her greatest historic failing.

Mr. DOMINGUEZ. My own sense is that at that time Mrs. Chamorro was acting in good faith, though I am also aware of the kinds of allegations that Elliott Abrams reported. I think she was acting in good faith because she thought that was the most effective way to bring about a transition: Through a deal, through a political agreement.

In retrospect, I think it is clear that it was a mistake, a mistake from which it is well worth learning to prepare for any other simi-

lar transition in the future. Speaking now, specifically with regard to the armed forces, perhaps at the beginning, I think, that Mrs. Chamorro thought that the deal was working because it made it somewhat easier to shrink down the size of the armed forces, not only by abolishing the draft but also by reducing the size of the officer corps.

I think clearly that she underestimated the extraordinary power that remained in the hands of Sandinista officers within the civilian government, and the extraordinary power that remained in the hands of the military and intelligence forces, none of which she was not able to control at any moment in any real way.

I agree with Elliott. I think that in 1990, in fact, she probably had much greater authority, as you put it, to take power and to appoint her own civilian defense ministry. It is obviously easier to criticize in retrospect, but I do think it was a mistake not to have proceeded sooner, indeed, at once.

Mr. MILLETT. Yes. I, too, think she started in good faith. And one must say again that in the first year or so, there were accomplishments in terms of reducing the size of the army, dramatically squeezing most of the inflation out of the economy. We should also note that her own coalition had begun to break up before she was inaugurated. She and the Vice President weren't speaking. There was a very fragile coalition, a coalition put together only by the fact that they all disliked the Sandinista somewhat more than they had traditionally disliked each other, but they had always disliked each other.

I think she saw herself as a symbol of national reconciliation. And tended, as Nicaraguan politicians have always done, and indeed people in many countries, to personalize disagreements over policy, to make them on a very personal basis, and the situation began to deteriorate very rapidly.

So I don't think there was any conscious decision not to take power. I think the fear was not so much of a coup, although that was there, but also the Sandinistas' capacity to create great economic disruption through the unions and things like that, that should not be underestimated. The army was by no means the only institution that was left with powerful Sandinista influence.

Mr. DIAZ-BALART. Thank you, Mr. Chairman.

Mr. TORRICELLI. Thank you very much.

Gentlemen, thank you for your testimony. It has been very helpful to this committee in reaching our own conclusions with regard to the presumption of American assistance. We appreciate your participation.

At this time the committee would call forward please our third panel, Raymond Genie, founding member, Nicaraguan Civil Movement; Peter Sengelmann, president of the Committee to Recover Confiscated American Properties in Nicaragua.

Gentlemen, please come forward.

Mr. Genie, Mr. Sengelmann, thank you very much for being with us.

Mr. Genie, this committee, through the period of years which I have served upon it, has received many statements, articles, that people have submitted for the record and for testimony. None, in

my judgment, with a more compelling story than the one you have offered or more tragic circumstances.

Since we do not know each other and have not spoken on previous occasions, let me begin from my part by relaying to you my own sorrow at what has occurred and my own gratitude for your courage in coming forward to speak about the experience of your family, what it reveals about the government and the system of justice in Nicaragua, no less the personal and professional arrogance of those who are both responsible for this tragic loss of life and for the frustration that you have found in dealing with this case in finding justice.

We invited you not simply to embarrass those who rightfully deserve to be embarrassed or to illustrate the arrogance of those who are clearly arrogant, but because the U.S. Government in making our own judgments about with whom we choose to identify, how it is we would use our resources, take very much into consideration the experiences of individual citizens and how it is they have been treated. None worse than you and your family.

I have personally read the documents that you submitted. You now have handed us a few others. I think they are available to every member of the committee.

I would like a chance for each member of the committee to have the opportunity to question you about the case, as they would with Mr. Sengelmann. I therefore would hope that you could simply summarize this document since it has already been read, sharing some of your own feelings. Then we can proceed to questions.

Mr. Sengelmann, I would ask you if you could do the same. You have, of course, appeared before the committee previously. We would like a chance to ask you a few questions. If you therefore would proceed and attempt the best you can to summarize your views.

Mr. Genie.

STATEMENT OF RAYMOND GENIE, FOUNDING MEMBER, NICARAGUAN CIVIL MOVEMENT

Mr. GENIE. Mr. Chairman, I thank you very much for your words and also for the invitation that you made to come—for me to come to this Committee on Western Hemisphere Affairs and testify.

I have done this in Venezuela also, and in Colombia, with the spirit of letting other people know the behavior of the Sandinista Army, not only in this case but covering all the resistance cases which have the same problem.

I decided to stay in Nicaragua for the last 13 years. I stood over the strikes and all the bombs and all the tourist attractions that we have. Within it, I lost a son, my only son. I still think that we did it right because we thought it was better to stay and to fight in it.

I am not a political person. I have never belonged to any party. I am not anti-Sandinista as such. I have many friends who are Sandinistas. However, I will try to give you my best and sincerest opinion on the issue.

On October 28 our son John Paul was murdered. His car was riddled with bullets while he tried to overtake a military escort. His death and investigations by Nicaragua's police and the Sandinista

popular army could well be established as a landmark of their institution's policy.

Jean Paul was hit by three shots. Two of them he received when the car was standing, and according to the ballistics, when these soldiers stepped out of their jeeps and made sure that nobody was left alive within it.

The Venezuela Judicial Police who was invited by the Nicaraguan Congress through the Nicaraguan Government, made the findings, according to witnesses and to their investigation, Venezuela Judicial Police invited to participate. At the sentence issued by the judge of the Seventh District of Crime became clear that John Paul was murdered by the personal bodyguards of General Humberto Ortega while they traveled escorting Mr. Ortega on the Managua-Masaya highway.

Despite the impact that this crime had the Nicaraguan people's conscience, and the government's offers to give priority to the case, the investigations started off badly. Some of the witnesses disappeared, others, for fear of reprisals from the very police authorities, retracted. According to the Judicial Police of Venezuela, it was not in the interests of the Police of Nicaragua in charge of the investigation, as they omitted declarations of eyewitnesses and exerted pressures against other eyewitnesses to change their declarations.

On November 10, Subcommander Mauricio Aguilar was murdered by Harold Meza as both were traveling in the same car in Managua, soon after he told his family that he was going to tell the truth about the Jean Paul case murder. His murder is full of contradictions, also. On this case, the military court found Officer Harold Meza guilty, and was just sentenced to 3 years in prison for unpremeditated homicide.

The cassation appeal was filed and it still is not answered by the supreme court. The family believed there was an evidence to establish a possible motive for the deliberate killing.

Given this situation, the Assembly of Nicaragua formed a commission, when the Congress was still in the majority of the UNO November 1990, to investigate Jean Paul's murder. The special commission to investigate. And that special commission invited, through the Congress of Venezuela, a special team of investigators. The investigators of Venezuela established that the main suspect of this assassination were the bodyguards of Mr. Ortega.

Right after my son was killed, the obstruction of justice started, by the military counterintelligence. They rejected all the time that the investigation also carried on by the Venezuelan team was correct, stating that the conclusions reached by a group of foreigners had no credibility, even though the Government of Nicaragua had invited the investigators.

A number of anomalies surfaced during the trial which blurred the investigations. The register books of movements of the caravan and the military complex of Mr. Ortega were incinerated. The vehicles they traveled in were sold, even though there was a Presidential order, as Mrs. Violeta Chamorro had asked them to present the vehicles, they never accepted the orders of Mrs. Chamorro. Humberto Ortega disregarded the Presidential order all the time.

Mr. Ortega's bodyguards did not accept to declare after the judge had issued arrest warrants on February 25, 1992, for contempt of court. The warrants were also ignored. The national police refused to carry out the arrest. The director of the armed forces public relations and the director of his general staff kept ignoring the judge's power to summon members of the military as witnesses and accused the judge of being part of a concerted campaign to discredit the armed forces.

Even though we had all kinds of problems, the judge was able to issue a sentence recommending the prosecution of General Ortega as the main person in the cover up of the operation and his body guards as the murderers. However, the same judge refused to follow the case and send it to military court. We presented a cassation appeal to the supreme court, which to this date has not been replied.

We went to the Tripartite Commission formed by the CIAV OAS, the Catholic Church and government and requested their opinion and to take the case into their hands. They responded saying that to achieve justice the case should be taken to the ordinary courts. The Supreme Court of Nicaragua didn't respond at all.

We took the case to the Inter-American Human Rights Commission. They responded with a report which is not official yet, stating their conclusion was that General Ortega's escort were the perpetrators against Jean Paul, that there was a violation of the right of law and due process because of the obstruction of justice executed by the army. As a result, the author of the crime was the army under the direct command and protection of Mr. Ortega.

All the military cases that are now under the review of Tripartite Commission show the same trend. The Inter-American Commission recommended Nicaragua accept the jurisdiction of the Inter-American Court of Human Rights. It is true that the government, as such, the executive branch doesn't have the power over the supreme court to act. However, they have the power to accept the jurisdiction of the Inter-American Court. When they have the opportunity to show good will to do justice they close the avenue. So we have a situation where every place we go the avenues are being closed either by the Sandinistas, the magistrates of the supreme court or by the weakness of the government that doesn't have the willpower to act.

All the human rights organizations, Americas Watch, WOLA, Amnesty International, the Congressional Human Rights Caucus, Lawyers Committee for Human Rights, the Foreign Relations Subcommittee of the Congress of Venezuela, unanimously expressed to the Nicaraguan Government that they greatly fear that Nicaragua's system of military justice will prove incapable. And all believe that justice will not be done, because the majority of cases brought to their attention in the military courts of Nicaragua in recent years did not result in bringing the criminals in justice.

Evidently, there is an insensitivity from the government—in a letter to Senators and Members of Congress of the United States of November 26, the President of Nicaragua, Violeta Chamorro indicated that the cassation appeal is being dealt with and will be resolved in the established period of time as permitted by the respective law. That was more than a year ago, and the supreme

court does not make—take a decision or a stand on military jurisdiction.

At the same time, when replying to the Inter-American Court, the attorney general who had supported our case appeal at the supreme court, replied to the Inter-American Court denying our access to the Inter-American Court, indicating that “neither we know while the court of justice does not resolve the so often-mentioned cassation appeal, to which judicial proceeding this case must be submitted to.” So the government doesn’t know what to do.

The Nicaraguan Government acted with ambiguity when it had to deal with justice with regard to the murder of civic leaders and former resistance members, of issuing general amnesties, to erase crimes committed and obstruct them, to continue in the Nicaraguan crime courts, and consequently hinders its acceptance in the international courts because its internal appeals have not been exhausted. This ambiguous standard should change through the achievement of the concrete facts ratified in Dona Violeta’s statements. This would end impunity and obtain a law of order.

The army’s counterintelligence should not be the body that verifies the Tripartite Commission’s records and the military courts should not be the ones that pass judgment on those crimes.

There has not been and there is no room for significant and tangible progress in the short run, as it is a transition which is the secret agreements of the army with Mr. Lacayo, Antonio Lacayo, signed in April 1990, which will be used to block changes in the restructuring of the judicial system and enactment of laws. We must know the specific coverage of this transition protocol to bring changes about, reducing the Presidential power and the army’s power, if the situation is not structured, impunity will continue. Upon the announcements of President Chamorro on September 2 of a desire to remove General Ortega, the army enacted a communique stating that President Chamorro have no power to do it. And the situation is whether she has or she hasn’t the power, or she has the willpower. So it is just a matter of how Mrs. Chamorro—and mainly, I think Antonio Lacayo, I think the case here is reflective of upon the behavior of Antonio Lacayo, which is the adviser of Mrs. Chamorro in everything she does. So at no point should we consider only the President but Antonio Lacayo as the main engineer of the situation and the one that is binding through the agreements with the Sandinista front.

Thank you.

Mr. TORRICELLI. Thank you, Mr. Genie.

[The prepared statement of Mr. Genie appears in the appendix.]

STATEMENT OF PETER SENGLMANN, PRESIDENT, THE COMMITTEE TO RECOVER CONFISCATED AMERICAN PROPERTIES IN NICARAGUA

Mr. TORRICELLI. Mr. Sengelmann.

Mr. SENGLMANN. Mr. Chairman, thank you very much for allowing me the opportunity to testify before this subcommittee. I would also like to thank the other members of the subcommittee.

I am one of the Directors of the Committee to Recover Confiscated American Properties in Nicaragua. I have traveled several times to Nicaragua. I lived there and I have traveled several times

there since 1990, including two trips as part of two congressional delegations.

My statement, however, will concentrate specifically on the property issue and on some facts regarding the property issue.

We continue to oppose further unconditioned aid to Nicaragua until the government of that country has shown effective and real progress in the return of over 20,000 properties confiscated by the Sandinista regime from over 5,000 people, Nicaraguans and from other nationalities; most of which have not been returned by the current government. We represent more than 350 U.S. citizens with confiscated property, most of which would like to continue to contribute to the future development of Nicaragua as we did in the past when we lived and worked there.

At the present time, approximately 700 Americans and 5,000 Nicaraguans have outstanding claims against the Nicaraguan Government for properties confiscated during the Sandinista regime. American citizens have presented more than 1,222 claims, with an estimated volume of about \$429 million. To date, we know of only five claims of American citizens that have been reported as totally resolved, although we understand that there are 119 claims that have been partially resolved or resolved by payment of bonds.

Partial resolution may consist of physical possession without legal title or legal title without physical possession, neither of which we consider to be resolved cases, especially under the tenuous and arbitrary legal system presently existing in Nicaragua. We believe that this figure of 119 resolved claims should be qualified and analyzed and see exactly how many of these are payments through bonds and how many have actually been returned properties with both physical and legal possession of properties.

The number of the claims by itself is outstanding, but the real tragedy is that these claims represent the best and most productive properties in the country and have been filed by entrepreneurs who have previously worked in Nicaragua. The brain drain from Nicaragua and the lack of productive use of these valuable properties are reflected in the disastrous production and export figures.

In constant dollars, output is approximately one-eighth of 1978 levels. During the past 3 years, there has been virtually no private foreign investment in Nicaragua. Potential investors have stayed away because they know that without property rights and a functioning government, their investments are not safe.

Without investment, there will be no economic development. Without economic development, there will continue to be high unemployment and suffering. For the same 3-year period, the Nicaraguan Government has avoided dealing with the issue of property claims because of special interests, namely those of the Sandinistas who stole the properties during the last decade.

Despite promises to do so, it has not returned properties to the rightful owners and has only dealt with a few high-profile cases. This has been done in fits and spurts, usually at the time that aid or loan money is scheduled to be disbursed or a scheduled loan payment is imminent and money is needed to fund it.

As an example, there have been two highly publicized settlements recently coincidental with a consideration of Nicaraguan for-

eign aid to the U.S. Congress. One of these, by the way, has been my wife's and my home.

Last year, there was also some activity when funds were withheld by the U.S. Congress. However, there has been virtually no activity during the intervening months. The Nicaraguan Government has no policy to make a good-faith effort to return properties to their legitimate owners nor does it have a measurable plan to resolve claims and return properties.

What few claims have been resolved have been under duress. While it is obvious that not all cases will be resolved in a way that will satisfy everyone, the Nicaraguan Government must make a good-faith and massive effort to return as many properties as possible in as short a time as possible, because only by resolving the property issue can the Nicaraguan Government begin to promote economic recovery.

Among the cases which have not been resolved but which could be easily resolved if the Government of Nicaragua really wished to do so are the following examples: The cases where the Nicaraguan Government itself occupies properties confiscated from both Nicaraguan and American citizens. The cases where the Sandinista Army occupies properties confiscated from American citizens and Nicaraguans.

The case where the Chief of Police of Managua, who is supposed to enforce the laws, occupies the illegally confiscated home of an American citizen. The case where the Sandinista Army Chief of Staff occupies the illegally confiscated property of an American citizen. The cases of other governments such as Cuba, Libya, as well as PLO, which occupy properties confiscated from American citizens. The case of the Minister of Health of the current government who occupies the home of an American citizen. The case of one of Supreme Court Justice who also occupies a confiscated home.

And finally the case of a business which cultivates shrimp in a confiscated property, a business which we understand is owned and operated by Antonio Lacayo, who is the son-in-law of Mrs. Chamorro.

If the Government of Nicaragua truly wanted to resolve the property issue, it could show good faith by resolving these cases first.

Nicaragua's high unemployment and low-per-capita income are a consequence of its government's unwillingness to face the property issue. Because it has not created the conditions to foment investment, Nicaragua needs astronomical levels of foreign aid and has turned itself into an economic basket case and international beggar. By its own actions, it has gone from one or more prosperous—one of the more prosperous and faster-growing countries in Central America to become the second poorest in the hemisphere.

In the few cases where the government has supposedly resolved property claims, it has paid 20-year, dollar-dominated, zero-coupon Nicaraguan Government bonds instead of returning the properties. Bonds are not a solution to the problem of confiscated properties.

First, because there must be a rule of law. The potential investors needed to rekindle economic development are clear that bonds are not a solution and that property rights have not truly been resolved.

Secondly, the property remains in unproductive hands, restricting future economic growth of the country.

Thirdly, the entrepreneurs who laboriously invested their time and effort to make those properties productive, will not have any incentive to work toward the betterment of Nicaragua.

And fourth, the bonds would only increase the already astronomical debt of the Nicaraguan Government.

For all the above reasons, the Nicaraguan Government should return the confiscated properties in the majority of the cases. Compensation should be only a last resort in the few cases where properties cannot be returned, not as a first resort, as is presently the case, and at zero cost to the government.

After all, the person who is occupying the property and not the government, should pay for the asset which he has obtained. The government should not use its own scarce resources or those obtained from the privatization of the country's public companies to benefit the usurpers of properties but should instead invest in the economic development of the country.

Obviously, it is easier in the short term for the Nicaraguan Government to avoid facing the issue of properties illegally confiscated by Sandinistas who continue to rule from below, as Humberto Ortega vowed they would. There are high government officials in the present or prior government, or powerful individuals in the country who will continue to resist efforts to resolve the problem. But like necessary medicine or a required operation, it must be faced for the very survival of Nicaragua.

Thank you very much.

[The prepared statement of Mr. Sengelmann appears in the appendix.]

Mr. TORRICELLI. Thank you, Mr. Sengelmann, very much.

Mr. Genie and Sengelmann, I don't think two individuals could have done more to illustrate in a meaningful way what the denial of fundamental rights can do to a people.

Each, in your own tragic instances, in the loss of life and the theft of property, you remind us of fundamental rights. When the Nicaraguan Government makes judgments about who will occupy positions of power, we may disagree, but they are, in the final analysis, exercising the rights of a sovereign nation. When life is taken, witnesses are abused, evidence denied, the process of justice does not function. Where property is seized without just compensation, they are not exercising sovereign powers, but denying the most basic of human rights.

It is, I think, an example of our time, the denial of such rights along with the powers of no sovereignty; and it invites not only international inspection, but retribution. That indeed is where we might find ourselves.

Mr. Genie, the tragic loss of your family better than anything illustrates what so many of us have been trying to describe about the Nicaraguan experience.

I want you to know before I yield to my colleagues for questions—and they may want to learn more about your experiences—that we take the granting of American assistance very seriously. No one has a right to foreign assistance from this country. It is a privilege granted by the elected representatives of the American

people. And to give financial assistance to any government is to associate ourselves with those who rule.

I personally find it impossible to do; and to give the good name of this country in association with anyone who would exercise power so arrogant with regard to property or life.

Mr. GENIE, I assume at this point, having seen the assembly call for an investigation, an investigation having been ordered and conducted, the results shared and then ignored, you have little hope at this point that any internal system of justice is going to yield a result. What indeed is the final word that you have now received with regard to what is to transpire next within the Nicaraguan justice system?

Mr. GENIE. The supreme court has had the case since December, last December. I understand that they are awaiting for new supreme court or new members of the supreme court to be elected; and they are saying that they are—

Mr. TORRICELLI. And they have the power to indict and to bring before the court for trial? Is that the proper interpretation of this Nicaraguan system? The supreme court would have the power to order—under your system of justice, to order people to trial? In other words, they play the role of the prosecutor, as in the American system?

Mr. GENIE. Well, at this point we are just deciding if the judge that inhibited himself from continuing the case should continue it or should go to the military courts. If we go to the military courts, then Mr. Ortega will be the final judge.

Mr. TORRICELLI. Yes. But in your government of the Napoleonic Code, therefore, as I understand it, your courts can make the judgment and order the responsible parties to trial under your system?

Mr. GENIE. That is right.

Mr. TORRICELLI. Your claim that prospective witnesses were murdered is about as serious a statement as an individual can make about a government and its system of justice. I assume in doing so, you are completely convinced that this was the motivation for the deaths, and your statements today are unequivocal or you would not have made them.

Mr. GENIE. That is right. It was not only witnesses; he was a policeman that was second chief of the premier investigations in Nicaragua. I have received from their family, from his family, information that led me to believe that he was going to talk about the case publicly and that he was shot down because of it. There are even in the records, in the record of his trial at the military courts, statements from witnesses indicating that they murdered—killed him; 1½ hours before he killed him that he had orders from a leader of Nicaragua to shoot him down, and that he didn't do it because he was his brother.

Mr. TORRICELLI. And for this murder, the motivation for which you have made clear, a sentence of 3 years was received, which was suspended pending an appeal?

Mr. GENIE. That is right.

Mr. TORRICELLI. That is quite a system of justice. The implication is that Mr. Ortega personally—I assume, in your mind, is that for whatever role he played in the murder; the question remains of under whose order a witness was killed and, of course, the ques-

tion about the obstruction of justice from the destroying of records. Therefore, this is not only a question of the culpability of the bodyguards, but indeed the conspiracy to murder a witness and the destruction of these documents.

Is that your own analysis?

Mr. GENIE. That is right.

Mr. TORRICELLI. Mr. Sengelmann, if I could briefly, are you in a position to tell us how many confiscated properties are now occupied by Sandinistan officials, approximately?

Mr. SENGMANN. I don't know the actual figure, because there are a total of 1,222 claims, and I am sure that the great majority of those claims are occupied either by Sandinistan officials or Sandinistan cooperatives.

Mr. TORRICELLI. Is it fair to say that there are former Sandinista directorates whose property has not now been compensated for, returned or—not even in negotiations for compensation?

Mr. SENGMANN. Yes.

Mr. TORRICELLI. That is a fair statement. And it would be fair to say that the Nicaraguan Government itself now occupies properties that are not otherwise in negotiations?

Mr. SENGMANN. Yes.

Mr. TORRICELLI. You have been compensated for your individual properties?

Mr. SENGMANN. Only one case. My wife's and my home was compensated for in cash. It is the only case that I know where currency was paid.

Mr. TORRICELLI. This is the only one of which you are aware?

Mr. SENGMANN. That I am aware.

Mr. TORRICELLI. Who was occupying that property?

Mr. SENGMANN. Colonel Ricardo Wheelock, former head of military intelligence and current spokesman for the Sandinistan Army.

Mr. TORRICELLI. And you have other properties that are occupied by the Cuban Government?

Mr. SENGMANN. Not I personally, but other citizens that I know.

Mr. TORRICELLI. Members of this committee have considerable intention of having those properties received through a different means. The bonds that you cited that are being granted, is this an individual case, or is this the rule that these have been 20-year zero coupon bonds?

Mr. SENGMANN. That is the rule. That is the rule.

Mr. TORRICELLI. So there is no such thing as redeemable bonds, otherwise, that you have seen issued?

Mr. SENGMANN. Exactly.

Mr. TORRICELLI. Do you accept the number of 119 as the actual number that are settled?

Mr. SENGMANN. Actually, I had heard the figure of 118, and Secretary Watson probably knows of one more recent case, I believe that he mentioned, which makes it 119.

Mr. TORRICELLI. How many actual returns of property?

Mr. SENGMANN. OK. I think even the embassy in Managua doesn't exactly know that. I only know that in the last 2 months, 16 cases—16 of these 119 cases took place in the last 2 months;

and of those 16, 14 received payment in bonds. One received payment in cash, which was my wife, and one was a return for property of an American citizen, an apartment.

In other words, there was only one returned property and one compensation in currency. The rest was bonds, out of 16 cases. So I assume that the other 103 cases before that are mostly bonds also.

Mr. TORRICELLI. In the settlement of your case, you have testified before this committee previously, how much time elapsed from your testimony until you received an offer of settlement?

Mr. SENGLMANN. Approximately—the hearing was in February; I received—I was contacted by the Nicaraguan Government——

Mr. TORRICELLI. When?

Mr. SENGLMANN [continuing]. Around April or May, approximately. No, sorry, I was in Nicaragua in May; it was during my trip to Nicaragua in May.

Mr. TORRICELLI. In May?

Mr. SENGLMANN. Yes.

Mr. TORRICELLI. Mr. Genie——

Mr. SENGLMANN. Excuse me. There is some question as to whether it was the Nicaraguan Government or the Sandinista who occupies the property who paid. Because both the government and the person, Colonel Wheelock, had both said that they didn't pay, so I don't know who paid.

Mr. TORRICELLI. Mr. Genie, for my part, there isn't a great deal more that I can say to you, other than that in a way that few others could, you have helped us resolve some lingering questions about the nature of the Nicaraguan Government. I again want to thank you for being here.

I know my colleagues will have some questions for you. I only want to say in concluding my part of this that I assume you to be the safest man in Nicaragua, because given what has otherwise happened, your testimony here today and the impact it will have on American policy that anyone who would ever raise a hand against you does so at an enormous disservice of future relationships between these governments; and I trust any and all would understand that.

You are a man of considerable courage to be here, and if indeed the devotion of a parent can be measured by how they remember and how they service the memory of their child, you are an extraordinary parent.

Mr. Smith.

Mr. GENIE. Thank you, Mr. Chairman.

Mr. SMITH. Thank you very much, Mr. Chairman. I want to join the Chairman in expressing my condolences, as well as my deep respect for you, Mr. Genie. Not only have you and your wife been absolutely wronged by the government with the loss of your child, but you have had that violation repeated by the injustices that you have met at every step of the way.

Your presence here underscores our Government's concern that your case and the handful of others like it be resolved expeditiously and to your satisfaction, that the culprits be put behind bars for the rest of their lives, that those who have been paid, perhaps, of

a conspiracy to obstruct justice likewise be—justice be meted out to them.

And I want to also say just how—as a parent of four, how moved I am by your testimony and by your tenacity in keeping this cause alive. You have helped us to know just what it must feel like. In a very small way, we can empathize, although no one can really empathize, if you catch what I am saying.

I was wondering if you think at this point, with all that has been said in Nicaragua, whether or not a fair trial even in a duly constituted civilian court can be achieved? Is there some kind of change of venue that might be warranted in order to achieve justice, Mr. Genie?

Mr. GENIE. Evidently, the supreme court is not willing to go through the civilian or common, ordinary court. They are not willing to accept, and the reason why is because they are judging all the resistance, killings and crimes within the military courts. So they don't want to set a precedent. It is a matter of right now for them; it is not a matter of whether they could prove wrong. I imagine they will have better possibilities in the civilian courts than in the military courts, but for them it is a matter of continuing on doing what they have been doing for the last 13 years. So at that point it will be a breaking point on their policies.

Mr. SMITH. Just let me reiterate how strongly we feel on this committee—and I think it is echoed by the administration—that this case be resolved. Your mere presence, even before you speak, sends a necessary signal to the Chamorro government and to Mr. Lacayo to resolve this case. They must garner the political will and the courage to resolve this case, because it means a great deal to us in Washington, as well as to the rest of the international community.

Mr. Sengelmann, I have a question or two for you. You made a couple of points with regards to payment in cash. Did you find that payment of cash was adequate?

Mr. SENNELMANN. You mean the amount?

Mr. SMITH. The amount.

Mr. SENNELMANN. No, it wasn't adequate. It was probably about 60 percent of the value of the property.

Mr. SMITH. So, while this technically is a resolution and would be so noted by our own government in looking down that list, it is an inadequate amount?

Mr. SENNELMANN. Yes.

Mr. SMITH. Also, the bonds which are given out, are of 20-year duration. Is that your testimony that those are inadequate?

Mr. SENNELMANN. Yes.

Mr. SMITH. Is there any differentiation for the method of payment for elderly people? Presumably there are a large number of elderly people who had their properties confiscated who now find 20-year coupons worthless.

Mr. SENNELMANN. No.

Mr. SMITH. Is there any indication that you see from the government that some other compensation might be forthcoming?

Mr. SENNELMANN. No, I don't see any indication whatsoever at the present time.

Mr. SMITH. Mr. Chairman, I just hope that this committee, and I hope the administration would be cognizant of these kinds of intricacies. When Mr. Lacayo and others come around to our offices, as they will do, and give us a fact sheet suggesting that so many cases have been resolved, we must go beyond the mere presentation and get into the specifics to find out the adequacy of that compensation. As you so well pointed out, there is the concern that a 20-year bond may or may not be worth anything 20 years down the line, plus it puts the government further into debt.

Both the administration and the Congress must be very vigilant about these details.

With respect to those now making their way through the process, do you have a percentage of what people are being offered? Is the bond seemingly the predominant way of compensation?

Mr. SENGELMANN. Absolutely. In the great majority of the cases—and I would like to quote a letter written by the Nicaraguan Embassy to Members of Congress back in February, coincidental with the time of the last hearing—and it says, “To complicate matters, we have little money to pay people whose property was confiscated, but which can no longer be returned because it is being used for purposes such as collective farms to grow food. Therefore, we plan to provide government bonds or stock in state-owned enterprises later for privatization.”

This seems to indicate that the bonds would be rather—would be the exception rather than the rule in such cases where these properties are being used to grow food.

Now it seems that 99 percent of the properties are being used to grow food, including private homes.

Mr. SMITH. Just one final comment. It seems that the government needs to lead by example, and you have exhorted the Chamorro government to lead by example, by getting those who are occupying these homes and these properties to vacate those homes as soon as possible.

Mr. SENGELMANN. Exactly.

Mr. SMITH. Likewise, I would hope that that message would go from Capitol Hill to Managua. We should see progress on that point as a test—how honorable is the Nicaraguan Government, or how dishonorable is it?

You know, Mr. Abrams, in his statement, pointed out that you know, one of those with whom he spoke with in Nicaragua had referred to those occupying, I guess, properties and just generally as “retired pirates,” people who want to grab everything, hold on to everything that they got illegally and immorally and not be held accountable at some future date by any kind of court of law or any kind of process. So I would hope that this government would again summon the political courage on life and on property issues to resolve those and to set an example that we all could be proud of.

I thank you for your testimony.

Mr. SENGELMANN. Thank you.

Mr. MENENDEZ [presiding.] Thank you, Mr. Smith.

I want to add my own comments of sympathy with you. Certainly what you described in your testimony is not a system of justice, but a system of injustice. And I think that the one thing that—speaking as only one member of the committee, and, I think, the senti-

ment that you have heard from the Chairman and ranking member and others, is that the one thing that this committee can do is to make sure that your son's death was not in vain and that your efforts, in fact, are not in vain and that, in fact, this government should be doing everything possible to make sure that when it judges what its relationship will be, in part, with Nicaragua, it will, in fact, be looking for a resolution of this case.

If we cannot at least—and I don't know whether this falls under the heading of interference, but if we cannot at least seek that type of justice, then we should really reexamine our position.

I want to read to you, since you still reside in Nicaragua, some excerpts from a document that I was given, and I want to see your impressions of it as someone who has gone through the system. It is prepared by the association—a human rights association of Nicaragua. And tell me whether you agree with them or not; from your own experiences, whether this is still the case. It says—this is from a report that they sent to the Inter-American Commission for Human Rights. It says, "As we expounded in our report dated February 25 of this year, the Sandinista war structure is still intact. What so more, we can say that it is more sophisticated today, that there are more armed Sandinista followers than when President Chamorro took office."

They go on to say, "The partiality of the judiciary and the absence of a speedy trial has increased to the point that impunity has been institutionalized. All this is reflected in the obscure method of choosing the judges in the homicide cases, which have not been clarified, such as the case," and it goes on to say of your son, "and to the murder of more than 200 former contras, and in the third and last amnesty law decreed by the Chamorro administration."

How do you feel about those comments? Are you in agreement with those comments?

Mr. GENIE. As far as the amount of weapons that the Sandinista have, I think I will be a little in a—I don't agree very much with them. I think that the amount of weapons that we have in Nicaragua are less. However, I agree with them in the fact that those weapons keep on being used against nobody or anybody that is not agreeing with them or that is occupying a land that is returned to them.

I believe that not all the weapons that should have been taken away from the military and from the active reserves have been taken away. I think in that case the army delivered a lot of—openly, a lot of weapons to civilians; and we have a rather more complex activity of how the weapons are handled. You don't know if our ex-army men will operate acting as resistance or as a contra; and there is a lot of confusion at that point—is whether more dangerous to travel or whether more dangerous to go to work in the farms? And in that sense, the Army keeps on protecting all those members of the Sandinista Party that have all the weapons at their reach.

As far as the impunity is concerned, what we are seeing now is an opening system where you have some fluid information to the press and through groups like the Anabiliescha, which are doing a very good job.

But what we see is that the courts are still handled by the same authoritarian people that used to handle them before. But now—and we are still under those laws. The supreme court is controlled by Sandinistas. The courts have not changed as far as the amount or type of people that should have changed. So we are seeing there now a rather large violation, or judgments that are made politically are automatically against the counterpart, which if—it is not Sandinista.

Mr. MENENDEZ. OK. Thank you.

Mr. Sengelmann, let me ask you, you described during the course of your testimony something about Mr. Lacayo in a shrimp factory. What is that about?

Mr. SENNELMANN. It is my understanding that a company owned by Mr. Lacayo owns and operates a shrimp-growing operation in a confiscated property.

Mr. MENENDEZ. In a confiscated property?

Mr. SENNELMANN. Yes.

Mr. MENENDEZ. Do you know if that confiscated property was of American or Nicaraguan ancestry?

Mr. SENNELMANN. It is Nicaraguan.

Mr. MENENDEZ. Nicaraguan. And the source of your information of this, do you believe it to be reliable?

Mr. SENNELMANN. Yes, definitely—the owner of the property.

Mr. MENENDEZ. Well, the owner of the property, I would assume, is a pretty good source if he doesn't have his property anymore.

What is the—personally, I would be interested in pursuing that, so if there is information you can give us, I would be very interested in pursuing just to find out, one, if it is true, and secondly, go from there.

The last question is the relationship of those of you who seek to get the appropriate recompense for your properties or the return of your properties. In your case, you are a citizen of Nicaragua; is that correct?

Mr. SENNELMANN. No, I am an American citizen.

Mr. MENENDEZ. Oh, you are. How has our State Department dealt with you and others similarly situated, like you, as it relates to this whole question of property rights?

Mr. SENNELMANN. Well, we formed a committee to recover confiscated American properties about 2½ years ago, and frankly, we did not receive all of the assistance that we would have liked to have received initially. As a matter of fact, we found that the State Department was, most of the time, apologetic for the Nicaraguan Government, rather than attempting to defend our property rights.

But I—in all fairness, I have to say that that has changed since the appointment of the new Ambassador Maisto and the appointment of a new person in charge of taking care of American citizens' property claims, and Mr. Carlos Garcia, who was mentioned before. And he is doing, I believe, the best he can, and he has had some limited success.

Unfortunately, he hasn't been as successful as he would have liked to be, but we are getting considerably more assistance now than we did before, and I believe that the State Department has to be commended for that change. I don't know whether it was—whether the change really originated here in Congress, but defi-

nitely someone should be commended for it, because I believe that property rights of American citizens are now—at least there is an attempt being made to restore those rights.

Mr. MENENDEZ. I wish I could take credit. I know Mr. Garcia as a personal friend, but I won't.

So, Ms. Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman.

Thank you, Mr. Genie, for the very powerful statement that you have made here this afternoon. I am only sorry that coming at the tail end of the meeting, the members of the press had mostly left and they will not have the opportunity to hear your case as we have. But I pledge to you that we will do all we can and use whatever pressure we can apply to that government to see that justice is meted out to the murderers of your son.

I would like to draft a letter to the Government of Nicaragua about your son's case, and I am sure that I would get many signatures on that letter. I would like to ask you who would be the best person to address it to.

Listening to the testimony of the other panelists, you have heard about the strange network of who has the power in Nicaragua; and in this particular case, in your son's murder case, who would be the appropriate person to address this letter to? Who would have the power in this case?

Mr. GENIE. I think, due to the diplomatic situation, you will have to deliver it to the President of Nicaragua.

Ms. ROS-LEHTINEN. And who could we send a copy to to make sure that something gets done? Once we get through the figure-head question, having that dealt with, who would be the person who could, in fact, formulate the change in this or get someone's attention on it?

Mr. GENIE. You could send a copy to Antonio Lacayo; I think he would be the person.

Of course, I understand—I will try to explain to you. You understand that there is a confusion, you have a man like Daniel Ortega, that he is using all the time; he has to make riots or strikes. On the other hand, you have a man like Ortega, where he has to say that he will guarantee peace and justice. So you have a kind of duality within this under—underneath this acting in a rare way.

You have that situation before between Tomas Borge and Daniel Ortega, and they shift from one side to the other, and go in rounds and rounds, depending on whose chance it is. So, in this case, I think that it is a matter of whether Antonio Lacayo believes that he can do it.

Ms. ROS-LEHTINEN. What would you like for us to stress in that letter? What is your most important point that you would like to make sure that the government understands about the case of your son's murder?

Mr. GENIE. That they will have to make a decision. I don't think in this case it is on any point; the issue is who did it? The case is whether they have the capability and the willpower to bring to the courts the ones that did it, Humberto Ortega, as a coverup, and his bodyguards.

So I will believe that the government can, and you can emphasize to the government, and the government can take a position on

this issue, at least accepting this Inter-American court, since they say they are not able to decide in the supreme court.

Ms. ROS-LEHTINEN. Thank you.

Another question for you, Mr. Genie. The overall impunity of the military that we have been alluding to, do you believe that that impunity still exists today? Is it less so, more so, and do you believe Violeta Chamorro's statement that the Ortega removal will be carried out, or are you suspicious of that claim? And will it help?

Mr. GENIE. I think it is the same. Prior to 1990, all the military court's judgments were secret. Nobody was allowed to see or to hear or to get a copy of the records. Now you have a copy of the records, but you know what is happening and the impunity, and the military court keeps them at the same level.

I think the government has to decide that it is necessary to restructure that and to establish that the law is unconstitutional, and that is it.

Ms. ROS-LEHTINEN. Thank you, Mr. Genie. Thank you again for a very powerful statement.

Just one question for Mr. Sengelmann. As you told us today, you were paid in cash, not the true total value, but the Ortegas and the Wheelocks, who many refer as the pinateros or the thieves of the property, have said publicly that they have paid no cash themselves to you. That means the government or the Nicaraguan people are having to pay. Where do you think the source of that money came from?

Mr. SENNELMANN. Well, the payment took place in a government office, in the office of the Ministry of Finance. The Ministry of Finance denied that they were the source of the payment. And both Wheelock and Ortega, because there was another case involved of a home that is occupied by the daughter of Humberto Ortega, and that—and the owner of that home was also paid a certain amount of money, also considerably below the value of the property.

In both cases, both Ortega and Wheelock deny having paid anything.

Ms. ROS-LEHTINEN. That is the Leets case that you are referring to?

Mr. SENNELMANN. Yes, exactly. We don't know where the money came from, but obviously it would appear from this that it may be the Nicaraguan taxpayers who are footing the bill.

Ms. ROS-LEHTINEN. And is it true that out of the 119 cases that we heard had allegedly been resolved, very few of those are, would you say, fully resolved, completely resolved?

Mr. SENNELMANN. Exactly. Very few are fully resolved and very few are actually properties returned with both legal and physical possession of those properties.

I believe that the American Embassy in Nicaragua should really make an analysis of those 119 cases to determine exactly what is what and be able to say—

Ms. ROS-LEHTINEN. You believe that sometimes the Nicaraguan Government takes a few high-profile cases and puts them up for the public view as if they are representative of so many other cases that have been resolved, when in fact those are the only cases, to a large extent, which haven't been resolved.

Mr. SENNELMANN. Exactly. There has not been a concentrated effort to resolve the issue as a whole.

Ms. ROS-LEHTINEN. Thank you, Mr. Sennelmann.

Mr. MENENDEZ. Just one quick question. I hope you don't mind the question. If you do, you don't have to answer it.

When you say you got a cash payment, did you get a check or currency?

Mr. SENNELMANN. OK. My wife and I were not there personally; our legal representatives were, and they received payment in cash.

Mr. MENENDEZ. Currency. Thank you so much. We appreciate both of you being here. On behalf of the committee, we stand adjourned.

Mr. SENNELMANN. Thank you

[Whereupon, at 6:00 p.m., the subcommittee was adjourned.]



APPENDIX

OPENING STATEMENT HON. ROBERT G. TORRICELLI, CHAIRMAN SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS "REVIEW OF U.S. POLICY TOWARD NICARAGUA" AND ASSESSMENT OF U.S. POLICY" OCTOBER 6, 1993

We meet today to assess developments in Nicaragua, and to hear for the first time an articulation of United States policy toward Nicaragua by the senior administration official responsible for this region.

I doubt that there is any member of this body who has been more supportive of the Nicaraguan government than I have.

I believe strongly that we should support the government that represents the free choice of the Nicaraguan people. It is not our place to tell the democratically elected President of Nicaragua whom she should appoint to key positions in her government or how she should run her country.

I believe equally strongly that if our country is prepared to fund the war, as we were for eight years in the case of the contras, then we should be prepared to fund the peace. It serves no one's interest for Nicaragua's first-ever democratic experiment to fail. Accordingly, I have been a strong proponent of aid for Nicaragua.

In all honesty, however, I have been shaken by trends and events in Nicaragua over the past months.

Those who seek our assistance and our friendship must accept the responsibilities that such a relationship implies.

We expect our friends to make reasonable efforts to protect human rights and to hold human rights violators responsible for their actions.

We expect our friends to exercise reasonably effective control over the military and security forces.

We expect our friends to respect property rights and to adjudicate and appropriately resolve property claims on a reasonable timetable.

These are the conditions that we have placed on our assistance and that the Nicaraguan government has accepted. They are appropriate conditions, and we expect them to be taken seriously.

Above all, we expect our friends not to harbor those who wish us ill. The discovery of an FMLN arms cache, a Sandinista kidnapping ring, and hundreds of false passports and identity papers in Nicaragua must give pause even to the Nicaraguan government's staunchest defenders.

Let there be no mistake: President Chamorro must deal with this problem — strongly, forcefully, and immediately.

It is time for President Chamorro to confront those in her government who do not share her commitment to democracy. If she does so, true democrats both in Nicaragua and in the United States will rally to her side. If she does not, Nicaragua will have lost a historic opportunity to break with its past.

Recently, President Chamorro has taken important steps. Her announcement that she would place the intelligence service under civilian control and would replace General Humberto Ortega next year was a courageous move in the right direction.

But much more needs to be done. Those of us who count ourselves as friends of President Chamorro and of her government hope that she will move quickly to resolve the issues that threaten democracy and stability in Nicaragua.

At the same time, President Chamorro's political enemies must know that we will not tolerate obstructionism on their part. We must not permit those who refuse to respond to attempts at dialogue and reconciliation to derail our own support for those efforts and to damage United States-Nicaraguan relations.

So we meet today to assess the situation in Nicaragua, the extent of Nicaragua's compliance with the commitments it undertook in exchange for United States assistance, and the ramifications of the discovery of a Nicaraguan terrorist network.

STATEMENT OF ALEXANDER F. WATSON

Assistant Secretary of State

for Inter-American Affairs

before the House Foreign Affairs Committee

Subcommittee on Western Hemisphere Affairs

October 6, 1993

Mr. Chairman, Members of the Subcommittee:

Thank you for giving me this opportunity to join you for a discussion of the situation in Nicaragua and the policies that this Administration is implementing to advance democracy and human rights, encourage economic development, protect property rights, and ensure regional security.

Since this is the first of what I hope will be many appearances before you and the subcommittee, I would like to take a few moments to tell you about the opportunities we see before us in advancing U.S. interests in Nicaragua and throughout the hemisphere.

A principal goal of President Clinton in Latin America is to strengthen the prevalence of civilian-elected governments throughout the region and to promote their evolution toward full and vibrant democratic societies with dynamic, market-oriented economies. For the first time in its history, U.S. interests and influence in this hemisphere face no threats from external powers. Moreover, U.S. values are shared to an unprecedented degree by nearly every country in the region. It is vital

that the United States avail itself of this unique historic opportunity to enhance and deepen the commitment of all nations of the hemisphere to the core values of U.S. foreign policy.

It was the lure of this vision of democratic states pursuing economic well-being through open markets that drew Nicaragua back to the hemispheric community in 1990 when Mrs. Violeta Chamorro was freely elected president of Nicaragua. President Chamorro faced a daunting array of problems when she took office in April 1990, and her government has made progress in a number of areas. But Nicaragua, and the United States as well, are still confronting the debilitating inheritance of decades of dictatorship, war, revolution, and economic mismanagement.

The United States and nascent Central American democracies will pay a very high cost should the democratically elected government of President Chamorro fail. That is why this Administration emphasizes both strong support for her government and energetic efforts to foster internationally facilitated political reconciliation among all parties. We recognize that accomplishing our objectives regarding democracy, human rights, property, and the economy depends on Nicaraguans establishing the necessary political conditions.

Nicaragua currently faces simultaneous political, military, and economic crises. The three main political forces -- the government of President Chamorro, the Sandinista National Liberation Front (FSLN), and the National Opposition Union (UNO) -- have become mutually antagonistic to the point of national paralysis. Restoration of the basic consensus

on how to continue the country's democratic process is urgently needed. The Clinton Administration believes that here in Washington we must also reach a new consensus to restore a bipartisan approach to Nicaragua if we are to support democratic progress there. I hope that my appearance before you today will begin the process of forging this bipartisan approach.

Assessment of the Situation in Nicaragua

At the inception of her administration, President Chamorro made the very personal decision to break with the traditions of victors and vanquished in Nicaragua and to establish the principle that her government would seek national reconciliation among all sectors of Nicaraguan society. This was neither an easy nor popular decision, but was based on Mrs. Chamorro's conviction that cycles of partisan recrimination had to be ended. In practical terms, this meant that the UNO coalition which had supported her candidacy would not rule over the powerful Sandinista minority but with it.

In retrospect, an undesirable consequence of this policy of reconciliation was to leave control of the military, police, and intelligence functions in the hands of Sandinistas, some of whom were unwilling to abide by the new democratic rules of Nicaragua. There is little doubt that Sandinista leadership of the military contributed to the necessary reduction in the size of the Sandinista Popular Army (EPS) and to the disarming of thousands of former combatants. Over the last

three years, the Sandinista Popular Army demobilized to about 13,000 from 85,000 troops. Hundreds of thousands of lethal weapons were collected from irregular forces and destroyed under international supervision. I would like to make special mention of the work of the OAS in Nicaragua. The OAS civilian mission, the CIAV, has contributed much to disarmament and the protection of human rights. And the Jurists Commission, an initiative promoted by Congressmen Smith and Livingston, is also engaged in a valuable review of several legal issues in Nicaragua.

However, many Sandinista officers have failed to demonstrate the respect and subservience to civilian control which is a requirement of democratic government. Significant violations of human rights have occurred in Nicaragua, and investigations by independent observers and by a Tripartite Commission composed of the government, the OAS/CIAV, and the Catholic Church have linked many of these abuses to current members of the police, army, and intelligence services. In addition, the recent discoveries of clandestine arms caches have raised profound concerns in Nicaragua and abroad over the possibility that past links between the Sandinista-controlled security forces and international terrorism may have continued into the present.

President Chamorro has recognized the corrosive effects of security forces out of control and in a courageous September 2 speech, delivered on Army Day before the assembled officer corps, she announced her intention to establish civilian government control over the security apparatus. Her legal, constitutional, and legitimate action initially provoked defiance from the senior command of the Sandinista Popular Army (EPS) and the FSLN.

This dangerous conflict with the security forces is compounded by other developments which have contributed to further erosion of the fragile political consensus supporting Mrs. Chamorro's government. The loose coalition of parties in the UNO have ceased supporting the GON, and are in increasingly strident opposition. Groups of former national resistance fighters -- recontras -- and former EPS members -- recompas -- continue to resort to armed force to exact concessions from the government. As the occupation of the town of Esteli in July and the twin hostage crises of August demonstrate, law and order is tenuous and further deterioration in the political situation could trigger an escalation of violence.

Inheriting from the Sandinistas an economy in chaos, President Chamorro has successfully pursued a courageous macroeconomic stabilization program, dramatically reducing inflation and stabilizing the value of the Nicaraguan currency. Yet, the political disarray has provoked a worsening situation in an already resource-poor economy devastated by years of conflict. GNP is declining, there is little new investment, foreign exchange reserves are critically low, and the prospect for inflows of external assistance is uncertain. The economic crisis is profound and acute.

The Need for Reconciliation

The Administration believes that the only way solutions to these crises will be found is through political reconciliation between the GON.

the FSLN, and UNO. The government of Nicaragua shares this perspective and launched an initiative to begin talks on a National Accord among these political actors. The parties are in basic agreement on the agenda for the talks, which includes reviving the National Assembly and reforming the Constitution. The government has held bilateral meetings with UNO and the FSLN, and the FSLN and UNO have met, but trilateral negotiations are yet to begin. The consequences of continued political paralysis and deterioration -- increased civil unrest, a renewed cycle of violence, and economic chaos -- are so undesirable for Nicaragua, the rest of Central America, and the region that we believe that all friends of Nicaragua must support in every way possible further progress in these talks.

The Administration Approach to Nicaragua

Our new approach to Nicaragua emphasizes strong support for the legitimately elected government of President Chamorro with energetic efforts to foster internationally facilitated political reconciliation among all parties. Accomplishing our objectives regarding democracy, protection of human and property rights, and the economy depends on Nicaraguans establishing the necessary political conditions for these changes.

Some Nicaraguans expect the U.S. to resolve their problems for them and, consequently, do not strive for solutions locally. Others use opposition to us as a disguise for an inability to develop their own constructive solutions.

This Administration has one simple message to the parties in contention in Nicaragua: Seek a national accord through dialogue and compromise among yourselves; do not seek the answers to your problems in Washington. In order for us to help create the conditions under which political reconciliation can succeed we must convince all participants -- UNO and the FSLN as well as the government -- of the need for compromise. Ultimately, Nicaraguans, and only Nicaraguans can solve their country's problems. But to do so, political rivals must accept that they bear joint and equal responsibility for this: they must be prepared to moderate their personal and political differences and labor patiently to establish a consensus on Nicaragua's democratic future.

To the Chamorro government we offer our strong support and encouragement. Yet, we are also pressing it to take actions that are within its authority on key issues, particularly civilian control over the security forces, human rights, expropriated property, and national reconciliation.

To the UNO, we have communicated our strong support for dialogue with the freely elected government of Nicaragua. UNO's insistence on what they would regard as a perfect national accord could result in failure to obtain a good accord. They are mistaken if they hope that, instead of working with the Chamorro government, they can get U.S. support for themselves through intransigence.

With the FSLN, we have opened new channels of communication, including with Daniel and Humberto Ortega, party leader and Army

commander respectively. Our message to the FSLN is that we will accept the Sandinistas as a legitimate political force to the extent that they follow the democratic rules of the game. A fundamental tenet of democracy is civilian control of the army and the intelligence service. We believe that this is a critical moment for the Sandinista party when it must choose between its authoritarian past and a democratic future. Concretely, this means that it must comply with the bold decisions announced by President Chamorro on September 2 to establish civilian control over the security forces. These decisions include a law setting term limits for senior military officers including General Humberto Ortega, the transfer of the intelligence service to the Presidency and the naming of a civilian head, and an end to military and police impunity by eliminating military jurisdiction over crimes against civilians.

Mrs. Chamorro has indicated her intention to announce her new choice as army commander next year. We agree with President Chamorro's judgment that General Ortega's replacement as Army commander is desirable -- the sooner the better so civilian control over the military can be achieved. Our policy goes beyond specific personalities, however, and focuses on the need for broader, more profound and durable institutional change. In this regard, Mrs. Chamorro assured me personally last week at the United Nations that she intends to keep what she calls "the commitments to the Nicaraguan people" she made on September 2, and that steps toward their implementation will be taken very soon.

We have made it clear we have absolutely no sympathy for renewed recourse to violence by any group. We are aware of allegations that

recontra organizations may be trying to obtain illegal support from U.S.-based sympathizers. We issued a public statement in June warning that the United States is fully prepared to prosecute those who violate U.S. neutrality and related laws. I reiterate that pledge today.

International efforts can make an important contribution to the process of reconciliation by helping to reduce mistrust and hostility among the Nicaraguan participants. The Central American presidents, as well as the governments of Spain, Mexico, Colombia, Chile, and Venezuela, along with OAS Secretary General Baena Soares, have been playing a most constructive role. The United Nations Development Program has also worked tirelessly to convince the Nicaraguan parties to solve their conflicts through dialogue and negotiation. We are encouraging all of these influential actors to seek ways to make their participation even more effective, working in close coordination, particularly with the OAS, to persuade the Nicaraguan parties to cooperate for the sake of their country's future.

Nicaragua's possible links to international terrorism

Members of Congress and the American public were justifiably alarmed by the suggestion in some news coverage of the May 23 arms cache explosion in Santa Rosa that the Government of Nicaragua or elements of it may have been connected to a terrorist attack on the World Trade Center or to a ring of terrorist kidnappings based in Nicaragua. Based on preliminary reports and evidence available to date, we are reasonably assured that the current Government of Nicaragua is not involved in such

activities, and are encouraged by the investigation it is carrying out with assistance from a U.S. interagency team and investigators from Mexico, Venezuela, and Spain. The Nicaraguan government has given broad cooperation to the team of international investigators and is following up leads uncovered in the investigation. The FPL, a component of the Salvadoran FMLN, admitted that the Santa Rosa weapons cache belonged to them. The investigation also led to the discovery of other arms caches, including one belonging to a Guatemalan guerrilla group, the URNG.

More needs to be done, however, to make this investigation comprehensive and credible. For example, investigators have yet to establish where the Salvadoran FPL obtained its weapons or the identity of those responsible for the kidnapping surveillance documents found in the cache. Over 7,000 separate documents have been recovered and are undergoing detailed examination by the Department of Defense and other investigative agencies here in the United States. Investigators also determined that 11 of the 19 surface-to-air missiles found in the Santa Rosa cache came from EPS stocks. In addition, we are concerned about the locations of over 100 surface-to-air missiles that were originally in EPS stocks, but are as yet unaccounted for. We will return to the Congress with a complete report on the arms cache investigation when it has advanced further.

The Property Issue

The United States continues to press the Government of Nicaragua to resolve U.S. citizen property claims more expeditiously. We recently

established a new mid-level Foreign Service Officer position in the Embassy dedicated exclusively to this issue. Nicaragua has also set up comprehensive institutional mechanisms for resolving property claims. In the last two months, the Finance Ministry assigned a new position to deal directly with U.S. claims, and opened an office to inform bond recipients of how they can use their compensation bonds in government auctions of properties.

To date, 119 U.S. citizen property claims have been fully or substantially resolved out of 1,222 properties in dispute. Five American citizens have had all of their claims resolved completely. Eighteen U.S. citizens have accepted bond compensation. In addition to the Rosario Mining case, which involved bond compensation of over \$20 million, Nicaragua recently settled with Mr. Richard Bell, a U.S. citizen with a major property claim. Mr. Bell accepted a 38 million cordoba (U.S.\$ 6 million) bond settlement.

Assistance to Nicaragua

Mr. Chairman, Nicaragua has critical need of external assistance to shore up its economy and to help consolidate its democracy. The Clinton Administration supports President Chamorro's goal of national reconciliation and wants to see her government succeed. It is within such a framework of reconciliation and political consensus that progress on key national issues is most likely to be made.

At the same time, and while recognizing how difficult the problems are, we look to the Chamorro Administration for decisive leadership in the areas that I have discussed here today. External aid alone cannot sustain or ensure the success of the Chamorro Government. There simply is not enough aid available within the international donor community for that purpose. As you know, budgetary pressures and new demands for our foreign aid make the near-term outlook for U.S. assistance especially bleak. Therefore, Nicaragua must generate in those who would invest there -- Nicaraguans and foreign investors alike -- confidence that the country is on the right path economically and politically. This is one reason why, in our bilateral aid relationship, we have placed such emphasis upon resolution of property disputes, civilian control of security forces, the rule of law and respect for human rights. That is also why the Administration welcomed the bold decisions that President Chamorro announced September 2.

As President Chamorro moves to implement her public commitments to the Nicaraguan people, we will consult with the Congress concerning any release of our Fiscal Year 1993 economic support funds. I should note, however, that the bilateral assistance we can offer, while highly important, is dwarfed by the approximately \$130 million dollars in multilateral and other donor assistance which is linked to the conclusion of an Enhanced Structural Adjustment Facility (ESAF) for Nicaragua with the International Monetary Fund. At the April 1993 meeting of the World Bank Consultative Group in Paris, Nicaragua's international donors expressed continued support, but underlined -- as do we -- the importance of national political reconciliation as the prerequisite for effective use of international assistance.

We hope and expect that the pending trilateral talks will establish a new consensus among the Government, the FSLN, and UNO about the direction of Nicaraguan social and economic policy. We believe that such a policy should aim at reactivation of production in Nicaragua and address the dire conditions now prevailing in rural areas. We understand that Mrs. Chamorro plans to invite grassroots participation in the national dialogue on economic reform. Our own aid programs will place greater emphasis on grassroots participation in the economic life of the nation.

Nicaragua's Choice

Nicaragua's leaders of all political persuasions need to understand that two paths lay before them. With a broad national consensus and the political will to advance Nicaragua's commitments in the areas of democracy and human rights, protection of property rights, civilian control of the military, and economic reactivation Nicaraguans will find the United States and the international community ready to work in an effective partnership to help their country succeed.

Absent consensus and political will, international engagement in Nicaragua will be reduced, and that nation will postpone the day when it truly completes its transition to democratic norms and sets the foundation for long-term prosperity.

.....

The Administration appreciates the leadership this Subcommittee has shown in the public discussion of these issues, and we look forward to working with you to help Nicaraguans build a democratic society.

I will be pleased to try to answer any questions Members of the Subcommittee may have.

Prepared Statement of Jorge I. Domínguez
 Visiting Senior Fellow, Inter-American Dialogue
 and
 Professor of Government, Harvard University
 before the
 Subcommittee on Western Hemisphere Affairs
 Committee on Foreign Affairs
 U.S. House of Representatives
 Washington, D.C.
 October 6, 1993

I very much appreciate this opportunity to appear before this Subcommittee to testify on U.S. policy toward Nicaragua. Although I am currently serving as a visiting senior fellow at the Inter-American Dialogue (on leave for the year from Harvard University), the views that I will be presenting today are my own. I have discussed these views, however, with other members of the Dialogue and, particularly, with our two members from Nicaragua. One is Enrique Dreyfus, a private businessman, who in the early 1980s served as president of Nicaragua's peak business association (COSEP) and in the early 1990s as Nicaragua's Foreign Minister in the Chamorro government. The other is Father Xabier Gorostiaga, the Rector of the Central American University (UCA) in Managua, who also had served as director of planning during the earlier years of the Sandinista government.

Nicaragua is in terrible shape. The prospects for improvement are poor because key Nicaraguan politicians deeply distrust each other and their nation's government. The political system has been unraveling at a dramatic pace in 1993; acts of political violence have become more frequent and severe; and the economy is near collapse. And yet, much that is good has occurred in Nicaragua in the early 1990s and much that is good can still occur.

Since the mid-1970s, the United States has invested considerable resources to shape and re-shape Nicaraguan affairs. The United States did so for various reasons, including concern about the implications of events in Nicaragua for the remainder of Central America, where the United States has also been deeply involved.

Today, too, there is concern that events in Nicaragua, as dire as they are for the Nicaraguan people, might also affect the other countries in the region. In the 1990s as in earlier years, Central America might be de-stabilized, pulling the United States once again into sustained and complex interventions.

The United States should seek to work with Nicaraguans to stop the disintegration of Nicaragua's political system and economy -- and thereby to help protect the country's incipient experiment with democracy, to stop the impoverishment of the Nicaraguan people, and to stop the threat of instability from spreading elsewhere in the region. These goals ought to be

widely shared in Nicaragua, elsewhere in Central America, and in the United States, for they seek to protect the best of what was accomplished in Nicaragua and in the region at the beginning of this decade.

To achieve these goals, the United States must eschew partisanship in its relationship with Nicaraguans. The U.S. government should not lose sight of its central objective: a stable and democratic Nicaragua. Within that context, it matters much less which set of politicians exercise the most influence.

The Good News about Nicaragua

From today's perspective, it is easy to forget how much good occurred in Nicaragua in the early 1990s. Recalling the accomplishments of Nicaraguans honors them as well as those who have assisted them, the United States among them.

In 1990, Nicaragua accomplished its first-ever peaceful democratic transition of national power from government to opposition. That transition was a tribute to Violeta Chamorro, who was elected President, and to her close associates. It was also a tribute to the Unión Nacional Opositora (UNO), whose leaders and members had organized courageously against the authoritarian practices of the Sandinista government. Credit ought to be given as well to that same Sandinista government that held free and fair elections and abided by the results, although that meant giving up government power. The international community -- through the actions of the United Nations, the Organization of American States, private citizens such as President Jimmy Carter, and various governments including that of the United States -- played important and constructive roles in bringing about this happy event.

In the time that followed, the Chamorro government accomplished some impressive tasks. The civil and international war swirling within and around Nicaragua came to end. A military truce was reached within Nicaragua. Most irregular forces have been disarmed largely by peaceful means and through active collaboration among many Nicaraguans and between them and international organizations and foreign governments; about 150,000 weapons have been taken from irregular forces. The Chamorro government ended the military draft. The size of the armed forces has dropped from about eighty thousand to about fifteen thousand; the officer corps was reduced from about fifteen thousand to below three thousand. No other military establishment in Central America has shrunk as much in the early 1990s.

Nicaragua today enjoys more political liberty than at any time in its history. The government is regularly, often sharply

criticized in the mass media and at political meetings. Political parties vigorously contest each other for power and influence. Ordinary citizens create and change social organizations to serve their values and interests.

Even the economic news, which is mostly bad, has some bright spots; the annualized inflation rate fell from a high four-digit number in 1990 to a low two-digit number in 1992. The gross macroeconomic imbalances were stabilized, stopping what had been the free-fall of the Nicaraguan economy in the late 1980s.

The Continuing Good News about Nicaragua

In late August 1993, the President of the Inter-American Dialogue, Peter Hakim, and I visited Nicaragua for an intensive, non-stop series of meetings with Nicaraguan leaders from a wide spectrum of political opinion. These included prominent UNO and Sandinista leaders as well as high officials of the Nicaraguan government.

We found, to no particular surprise, a profound degree of distrust among Nicaraguan political elites, not only across political lines but even within each major political coalition. What did surprise us was the considerable degree of agreement -- on the nature and depth of Nicaragua's problems and even on steps needed to address them -- among those whom we interviewed. These agreements were substantial and detailed. Our conclusions surprised the Nicaraguans themselves who, for the most part, did not believe that they agreed among themselves. Below, I report on some of our conversations and on my inferences from them.

For the sake of brevity, I have chosen three topics which seem to be of special interest to this Subcommittee. This testimony, however, does not exhaust the areas of potential agreement.

1. The Size of the Nicaraguan Armed Forces

In our discussions about the size of the armed forces with a prominent UNO leader, his opening statements emphasized that the military should be disbanded. When we noted that Nicaragua did face some serious security problems, he conceded as much, and shifted his position slightly. Nicaragua might need a small military establishment, but it certainly did not need the large battle-field helicopters nor the Soviet T-55 tanks.

In our discussions about the same subject with a prominent Sandinista leader, the key statement emphasized that the continued existence of the military was essential, almost a life insurance policy: "I would be murdered on the day after the military were to be disbanded." We asked, however, whether

Nicaragua's military needed all the fancy equipment inherited from the 1980s: what about battle-field helicopters? "Useless," said this Sandinista leader, a retired high-ranking military officer. "We lack the skilled personnel to maintain them properly and keep them operational. We lack the money to buy the needed spare parts and the money to train the people to train the personnel to do the maintenance effectively. Get rid of them." We discussed, then, the T-55 tanks. "Equally useless." During the contra war, they could not be used effectively for counter-insurgency operations. Moreover, they are too slow and too heavy to move to the front, wherever it might be. "We used them on parades, but then they created street potholes. Get rid of them."

In brief, though the opening statements would suggest an abyss between the UNO and the Sandinista leaders on this central issue, in fact we found a stunning degree of agreement.

2. Civilian Control over the Military

The high command of the Nicaraguan armed forces, and UNO, Sandinista, and government leaders agree on various fundamental propositions about civilian control over the armed forces, though they still differ on important matters, including the proper sequence for change.

There is agreement that a new military law should be enacted by parliament with all major political forces participating in such a decision. The military high command understands that the military's legitimacy for the future requires UNO's concurrence in the legislation governing the armed forces; the military chiefs are, in principle, prepared to come under broad legislative supervision.

All sides agreed that the new military law should fix the term for the Army Chief. The military high command as well as Sandinista leaders are, in principle, prepared to accept a term shorter than the one in the proposed draft (six years), perhaps a term as short as three years. There is also agreement that the name of the armed forces, currently Ejército Popular Sandinista, should be changed to reflect that these are the Armed Forces of Nicaragua.

The military high command accepts a civilian Defense Minister (currently President Chamorro herself), but is not yet prepared to accept a civilian defense ministry. On the other hand, the same high-ranking military officers seemed ready to accept such a civilian defense ministry in the future as part of a package of other political changes.

In the United States, they noted, civilian defense secretaries and Members of Congress on the Armed Services

Committees speak up on behalf of the military budget and the interests of the armed forces as an institution even as they provide close scrutiny of military matters. They seemed ready to accept the same deal.

We did not discuss with the military high command the possible near-term retirement of Army Chief General Humberto Ortega. It was, however, our strong impression that they did not see such early retirement as an insurmountable problem provided that it were to occur as a follow-up to the enactment of the military law that fixed the Chief's term; as a gesture of good will, they seemed to imply (as did various Sandinista leaders) that, upon the military law's enactment, General Ortega might step down voluntarily. This sequence appealed to the military and to the Sandinistas because it would give General Ortega a reason other than U.S. pressure to step down.

Subsequent to our trip, of course, President Chamorro announced that she expected that General Ortega would leave his post within a few months. Nonetheless, the military law had not been enacted. General Ortega, the military high command, and Sandinista leaders were outraged. In this example, the sequence of political events mattered greatly: had the military law been enacted first, General Ortega might have retired more readily and the political climate would not have worsened.

3. Foreign Aid

We found no one who believed that foreign aid had been used effectively. The specific criticisms varied, but business executives, Sandinista and UNO leaders, academics, and government officials echoed the same sentiment.

In fact, this criticism of the use of foreign assistance is probably too harsh. Foreign aid has been used to restructure Nicaragua's foreign debt and to service it; it has also been used to finance the government's budget deficit and thereby to make it possible to maintain domestic peace. Nonetheless, foreign aid has not been used well to re-activate the economy.

Nicaraguans across the political spectrum seem to favor working with donor governments and international organizations to re-direct the purposes and uses of foreign assistance. Nicaragua's economy remains flat. The case for re-activation is strong on many grounds.

We found two important principles for a minimal consensus among Nicaraguans on the uses of foreign aid. Sandinistas seemed prepared to agree that more external assistance should be channeled into increasing output; they understand that this would mean providing credit, technical assistance, and other means of support to private business firms, cooperatives, and peasant

small-holders, with special attention to the export sector. Business executives and UNO politicians understand that the financing of the public sector deficit also still requires some foreign funds. There is also general agreement on the importance of investing in human resources, including more effective university education.

Beyond these broad principles, much work lies ahead, but there is agreement on a further transitional use of some aid to assist government finances and on a major re-orientation of foreign assistance to help the private sector.

Looking Ahead

In sum, Nicaraguans have accomplished much in the recent past, and there are broad areas of agreement even now. Why, then, is the political system falling apart?

Nicaraguan politicians distrust each other deeply across the broad spectrum of opinion. Time and again, we found men and women willing to believe the worst about the intentions of their adversaries and those of important government officials. No doubt some of this distrust is justified.

The only remedy for such distrust is for the various parties to the conflict to negotiate with each other. This is easier said than done. When we were in Managua, President Chamorro called for one more round of national dialogue; one leader with whom we spoke was instantly suspicious that the government wanted to gain some unspecified advantage by the mere act of calling for talks.

Recommendations for U.S. Policy

Since the mid-1970s, U.S. government policy toward Nicaragua has been a constant: pressure the government. The Carter administration pressured Somoza, and the Carter, Reagan, and Bush administrations pressured the Sandinistas. So, too, in the early 1990s, both the Bush and Clinton administrations pressured the Chamorro government. There is an important difference, however. Somoza and the Sandinistas had a lot of power; the Chamorro government has little power.

The U.S. government, and even individual Members of the U.S. Congress, can pressure the Chamorro government and force a change in specific policies and appointments. But change in Nicaragua cannot and will not come from the preferences of the Chamorro government alone because it lacks the capacity to impose a settlement. Indeed, as the example mentioned above shows, the pressure on President Chamorro to get rid of General Ortega may

have backfired, and worsened an already difficult situation. (I strongly believe that General Ortega should retire forthwith; more important, however, is to maintain stable democratic politics in Nicaragua and thus to have Ortega's prompt retirement to serve those ends. Enacting the military law seems all the more important now.)

Within this context, I propose the following guidelines for U.S. policy. The photograph of President Clinton, arms outstretched, urging Israel's Prime Minister and the head of the Palestine Liberation Organization to shake hands points in the right direction:

1. The U.S. government should support President Violeta Chamorro's government because it is the constitutional, democratically elected Government of Nicaragua.

2. The U.S. government should urge all parties to the Nicaraguan conflict to negotiate in good faith and make explicit that it values the process of negotiation.

3. The U.S. government should strongly support the efforts of the Central American presidents (begun in late August 1993) to bring all the Nicaraguan parties and the government to the negotiating table.

4. The U.S. government should support the actions of the United Nations and the Organization of American States, and their affiliated agencies, to foster a climate of peace in Nicaragua and advance its development. The United States should fully fund its budget commitments for these endeavors.

5. The U.S. government should not side with one party over another. Indeed, it should refrain from commentary on the substantive issues at play. Expression of U.S. preferences makes it more difficult for Nicaraguans to negotiate and reach agreement.

6. Along with others in the international community and consistent with the Organization of American States' Santiago Declaration (1991), the U.S. government should insist that the outcome of negotiations must bolster a stable and democratic Nicaragua.

7. In discussions with the Nicaraguan government, representatives of the various Nicaraguan political forces, other creditor governments, and international financial institutions, the U.S. government and other donors should re-structure their foreign assistance programs in order to re-activate Nicaragua's economy while continuing to provide declining, transitional assistance to the government to cover the deficit in public finances.

8. In the United States, the President and Congress should agree that the executive branch will report to the Congress periodically and on an agreed upon schedule about Nicaragua's progress toward stabilizing its democratic politics and developing its market economy. U.S. foreign assistance to Nicaragua should be disbursed so long as the President certifies that Nicaragua's government is acting in good faith to reach these goals.

Conclusion

Nicaragua's circumstances today are grim. They could become much worse, as they were during the 1980s amidst civil and international war, economic decline, and authoritarian abuse. Nicaragua's descent into chaos could set back the advances toward peace and prosperity in El Salvador, add to Guatemala's woes, destabilize Honduras, and place once again burdens on Costa Rica.

The basis for future U.S. policy ought to be that Nicaraguans have demonstrated that they can agree to make settlements and that, when they do, they can accomplish much. From Nicaragua's present situation, no doubt progress will be slow and difficult to realize. But Nicaragua has rescued itself from worse and, with patient and persevering support from the United States and the international community, it can do so again.

PREPARED STATEMENT OF DR. RICHARD L. MILLETT
 Senior Research Associate, North-South Center, University of Miami
 Professor of History, Southern Illinois University at Edwardsville
 before the
 Subcommittee on Western Hemisphere Affairs
 Committee on Foreign Affairs
 U.S. House of Representatives
 Washington, D.C.
 October 6, 1993

Sixteen years ago this month I first testified before a House subcommittee on the situation in Nicaragua. Since then this small nation has experienced a bloody civil conflict which overthrew the entrenched Somoza family dictatorship, endured over eight years of war between the Sandinista regime which succeeded the Somoza's and the U.S.-sponsored contra rebels, and has seen its economy virtually destroyed by these conflicts, by economic mismanagement by U.S. economic pressures, by the collapse in world coffee prices, and even by a series of natural disasters. Under such circumstances, it is hardly surprising that the nation is plagued by internal violence, endless political conflicts, and an ongoing crisis in civil-military relations.

In order adequately to understand the current situation, it is necessary to keep in mind a few basic facts about Nicaragua's heritage. Since the mid-19th century, Nicaraguans have consistently sought external intervention in their political conflicts, at times preferring foreign intervention to defeat at the hands of domestic opponents. From the Nicaraguan point of view — foreign, especially United States support has all too often been more important in winning and maintaining political power than has been popular support at home. This has produced repeated efforts by political factions to portray themselves as favorable to U.S.

interests and to demonize their opponents by identifying them with Washington's external enemies.

There is little tradition of compromise and even less of effective limits on executive power in Nicaragua. The prime purpose of political negotiations has been to divide the opposition, buying off factions with positions and other rewards. This has contributed to an electoral history of temporary alliances, united only by a common desire to gain power. Nicaraguan politics have long been excessively fragmentized, as creating a new party enables one to then negotiate for jobs in return for political support.

Nicaragua, in contrast to the great majority of Latin American nations, has no history of a military operating as an independent political force. For decades it was simply the armed partisans of the ruling Liberal or Conservative Party. Then it was the creation of an American military intervention. Under the Somozas it became a combination of a private guard and an organized band of thieves engaged in looting their own nation. Finally, under the Sandinistas (FSLN), it was the armed component of a revolutionary party. Today, it remains tied to that party, a fact symbolized by its continued identification as the Popular Sandinista Army (EPS). The current crisis in civil-military relations may produce an institutional identification within the military, but this process is incomplete and difficult to evaluate.

Nicaraguan constitutions have never been designed to promote effective democracy and separation of powers, but rather to insure the dominance of the executive branch. The Chamorro government has inherited a Constitution and an organic Military Law (Ley de

Organizacion Militar) written by and for the previous regime. It assumes a total unity between political and military leadership, something which today does not exist. As a result, neither existing laws nor historical precedents offer clear mechanisms for civilian control over the military. There have been only three prior cases of major conflicts between presidents and military commanders in 20th century Nicaragua and each resulted in the ouster of a civilian regime. If President Chamorro is able to assert effective control in the present situation it will set a new precedent.

This heritage has contributed to the disastrous economic and political situation. From 1981 through 1982 Nicaragua's GDP per capita declined 38.6%, the worst performance in the Western Hemisphere. Estimates of urban unemployment approach 50% and investment levels remain disastrously low. The government has made significant progress in reducing deficits and curbing inflation, but has been unable to reactivate the economy.

Efforts to consolidate democracy have had little more success. Nicaragua does have a free press and an over-abundance of political parties representing a variety of ideologies. Part of this is due to repeated splits in existing parties, caused at least as much by personal rivalries as by disputes over issues. Only the FSLN has had any effective internal party discipline, but that is showing increasing signs of breaking down. The National Opposition Union (UNO), which supported Mrs. Chamorro's 1990 candidacy, has largely broken with her and most of its members have for months refused to take part in Congressional proceedings. As a result, Congress is

controlled by an alliance between dissident UNO members, known as the Center Group, and the FSLN.

Nicaraguans have reacted to this situation with increasing cynicism about all political parties. At the start of this year the government's approval rating was below 20%. Support for the FSLN was 21%, for UNO 18% and 61% of Nicaraguans said they had no faith in any political party. Such attitudes bode ill for the future of Nicaraguan democracy. Even worse, some Nicaraguans, largely former contras, have become so frustrated and disillusioned with the political process that they have again resorted to armed violence.

Under such circumstances it is hardly surprising that Nicaragua has a weak, divided, and generally ineffective government. What is surprising is not that it has been unable to effectively address such divisive issues as property rights, judicial reform, and civilian control over the military, but that it has managed to survive while maintaining a high degree of political freedom.

There are reasons for hope, if not for optimism. Prospects for a national dialogue seem more serious now than at any time in the recent past. It may be conducted within the framework of the Congress, which would mean that the majority of UNO delegates would once again take their seats. This, in turn, would make it possible to adopt a new basic military law, clearing the way for the removal of General Humberto Ortega as military commander, the transfer of internal intelligence functions from the armed forces to some other body and the creation of a civilian-controlled Ministry of Defense.

There are indications that many if not most members of the FSLN are no longer willing to blindly support the Ortega brothers, but

instead are seeking new leadership which will work within the democratic process. This might make possible progress on property as well as military issues, and could ultimately restore some degree of popular faith in the democratic process. What is crucial in all of this is that President Chamorro's announced decision to replace General Ortega as military commander and to remove Lenin Cerna as head of intelligence be carried out.

In this situation, what should be the guiding principles of U.S. policy? Let me suggest a few simple, but basic propositions. First, the Clinton administration should avoid treating Nicaragua as a special case. It should be made clear that our interests and goals in that nation are the same as they are throughout Central America: establishing effective civilian controls over the military, promoting respect for human rights, encouraging economic reforms, and supporting the development of effective democratic institutions. We should not encourage Nicaraguans of any political persuasion to seek support for internal political disputes in Washington.

Second, and closely related to the first, we should avoid identifying ourselves with or against any major political bloc. Virtue is not a monopoly of the government or of UNO, the FSLN is not an intractable foe of the democratic process. No party, no institution in today's Nicaragua should be viewed or treated as a monolithic entity. All are deeply divided, scarred by the experiences of the past sixteen years, and increasingly concerned about the nation's future.

The violence of recent months has had a sobering effect on many Nicaraguans. If they are at last convinced that the unbridled

pursuit of partisan interests jeopardizes their future then significant progress may be possible. We need to encourage this process, making it clear that the prime U.S. interest is in a stable and democratic Nicaragua, not in excluding some political faction from power. That would only aid those who wish to defy the President's efforts to exert control over the military. They would be able to justify their position in terms of opposition to foreign intervention in Nicaragua's internal affairs. We must make it clear that this is a Nicaraguan issue which only Nicaraguans can resolve.

While it is easy to criticize some policies of the Chamorro government, we should not let such criticisms obscure our fundamental interest in supporting that administration's goal of national reconciliation. Decisions on U.S. assistance should be based on whether or not such assistance promotes this process. For most of this century the United States has contributed to Nicaragua's internal divisions, supporting one faction over another in the name of promoting our national security. Far from stabilizing Nicaragua, such policies have only exacerbated an already bad situation, encouraging conflict and undermining any efforts to develop democratic institutions. The end of the cold war gives us an historic opportunity to reverse this pattern. Final responsibility rests on the Nicaraguans, themselves, but by no longer providing incentives for extreme partisanship or for seeking solutions abroad to domestic problems, we can encourage dialogue and compromise. This in turn will create conditions for building democratic institutions and reactivating the economy. Stability in Nicaragua will encourage economic development and democratic

progress throughout the region. But this must happen soon. Nicaragua can not afford any repetition of the violence of past months, any prolonged continuation of the current economic decline. If effective civilian control over the military is not established, if a national dialogue does not make possible a degree of consensus on issues of property and economic policy, if the advocates of confrontation rather than compromise gain control of the political process then Nicaragua can expect only increased levels of political violence which will in turn guarantee economic disaster.



RAYMOND GENIE
GLORIA A. GENIE

Managua, 06 de Octubre 1993.

Mr. Robert G. Torricelli
Chairman
Subcommittee on Western
Hemisphere Affairs
Congress of the United States
Washington, D.C.

Dear Mr. Chairman:

Our 16-year old son Jean Paul Genie Lacayo was murdered on Sunday 28 October 1990. His car was riddled with bullets while he tried to overtake a military escort. His death and investigations by Nicaragua's Police and Sandinista's Popular Army (E.P.S) could well be established as a landmark of their Institution's Policy.

THE DEATH OF JEAN PAUL GENIE LACAYO

At around 3:35 p.m., Jean Paul Genie was driving home to Las Colinas after a church ceremony with his girlfriend and friends. On his way home he stopped over a Mac Donalds at the Commercial Centre Camino de Oriente and continued his journey in the highway to Masaya. Between kilometre 7 and 8 Jean Paul came across a military escort of vehicles, which opened fire with automatic weapons as he tried to overtake them. Despite the shooting, the victim did not die immediately, but due to a shock caused by the hipovolemic haemorrhage. According to the investigations, Jean Paul's car was machinegunned from weapons situated in two or more vehicles, more

than 51 AK 47 shells were found by the Police on the spot. According to ballistic estimates, the car had 19 bullet holes, with the exception of three shots from short distance when the car was standing still, all bullets were shot while the car was running.

Of these he received two shots fired by the soldiers as they step down to inspect and make sure no one was left alive in the car. See the Chart (ANNEX 1) prepared by the Venezuelan Judicial Police from witnesses declarations.

The AK - 47's fired had tracer bullets used by the Army Special Corps, and on the site was fired a green flared signaling the military post near by that the combat had finished to avoid being shot at when leaving the place at fast speed. Nobody was left at the scene of the crime and no medical assistance was called. Witnesses that arrived from the neighborhood found my son still alive.

According to witnesses, to the Venezuelan Technical Judicial Police invited to participate on the investigations by the Nicaraguan General Assembly, and to the sentence issued by the Judge of the Seventh District of Crime of Managua, it became clear that Jean Paul was murdered by the personal bodyguards of General Humberto Ortega Saavedra, while they travelled escorting Mr. Ortega on the Managua-Masaya highway.

Despite the impact this crime had on the nicaraguan people's conscience and the governments offers to give priority to the case, the investigations started off badly. Some of the witnesses

disappeared, others, for fear of reprisals from the very police authorities, retracted.

According to the Judicial Police of Venezuela it was noticeable the interest of the police of Nicaragua in charge of the investigation as they omitted declarations of eyewitnesses and exerted pressures against other eyewitnesses to change his declaration.

THE DEATH OF SUBCOMMANDER M. AGUILAR

On November 10 1990 Sub_Commander Mauricio Aguilar, 2nd Chief of the Criminal Investigation of the National Police, was murdered by L.Tenant Harold Meza as both were travelling in the same car in Managua, soon after he told his family that he was going to tell the truth about the Jean Paul case. His murder is full of contradictions.

Initially the Chief of National Police sent a letter to La Prensa newspaper on December 5, 1990, where it claimed that Sub-Commander Aguilar was not in charge of the investigations, that he was not the Second Chief of the Crime Section of the Police and claimed his death was an accident.

The Nicaraguan Police Submitted to the Military Court an "illustrative photo" showing the murderer's shooting angle within the Car they were traveling.(See Annex 2) Clearly the illustration shows his death was no accident. The same Chief of Police when submitting his declaration to the Military Court stated that Subcommander Aguilar had recently, Oct. 24, 1990, been reinstated to his post.

The Chief of the Military Court ~~dismisses~~ the witnesses' declarations that heard the murderer tell Mr. Aguilar, just one and a half hour before he shot him, that he was under a Leaders' orders to kill him.

The Government also pointed out to CIDH - OAS that Sub-Commander Aguilar was the Second in Command of the Section on Criminal Investigation and that his death was properly investigated and the officer Harold Meza was found guilty and was sentenced to three years of prison by the Military Court for unpremeditated homicide. The Aguilar Family presented a Cassation appeal to the Supreme Court of Justice two years ago over the sentence issued by the Military Court maintaining there was evidence to establish a possible motive for the deliberate killing. No resolution has been issued to date.

THE NATIONAL ASSEMBLY'S COMMISSION

Giving this situation and the Police's inefficiency, the National Assembly took the decision to approve a resolution to create a Special Commission to investigate Jean Paul's murder. At the same time the National Assembly requested technical aid to the Venezuelan Government to throw light into the murder.

SPECIAL INVESTIGATORS FROM VENEZUELA

On July 23, 1991, 267 days after Jean Paul's murder and 140 days after receiving his CASE, the Attorney's Office submitted the report to the Judge of the Seventh District of Crime.

The Government of Nicaragua requested the Government of Venezuela to collaborate with the case by sending highly qualified investigators to contribute with the local authorities in the clarification of the case. On August 27, 1991 the Technical team of the Venezuelan Judicial Police presented its Report to the National Assembly saying in Synthesis that:

This is an intentional murder. There are at least four people accused of being the material authors of this murder .

More than one vehicle participated in the incident.

The authors are military well trained.

Armed bodyguards were seen in the place of the murder.

That there were several vehicles in the caravan going toward Masaya, on the 28-10-90 between 8:45 and 9:00 p.m.

That in the caravan there were Renegade Jeeps used by the bodyguards.

That according the report sent by Commander René Vivas Lugo, Chief of the Directorate General National Police (DGPB), we understand that Army General Humberto Ortega, who lives at Km. 11 on the Masaya Highway, owns Renegade Jeeps, black, olive green and silver, with canvas ceiling.

Conclusion: in this manner, in a logical reasoning, within the frame of a healthy proceeding, guided and supported by the expertise, declarations and other inherent circumstances of the facts. With all the respects, we conclude that the bodyguards of General Humberto Ortega Saavedra, who were on

duty on the 28-10-90 are the main suspects in the murder of Jean Paul Genie.

On September 3, 1991, the Special Commission of the Congress of Nicaragua issued its Conclusion (Annex) pointing out the following:

The Special Commission finds that the conclusions reached by the Venezuelan investigators, are correct and make sense with the logic of the investigations, leaving no doubts of their ability to carry on their work, with diligence, aptitude and intelligence.

OBSTRUCCION OF JUSTICE

The Sandinista Army denied that the Report of the Venezuelan Government names Gral. Ortega's bodyguards as the prime suspect and rejected the investigations carried out by the Judicial Technical Venezuelan Team, pointing out that the Conclusions reached by a Group of Foreigners, had no credibility.

A number of anomalies surfaced during the trial which blurred the investigations. Among them we have the loss of such important evidence as the Register Books of Movements of the Caravan and Weapons Control of General Ortega's bodyguards, that were incinerated on January 1991, because the Police did not ask for them to investigate the case and the sale of five of the Renegado Joepe used to transport them, to other military personnel, very cheap and in very good conditions.

There is evidence that only the Ortega brothers used Renegade Jeeps until October 28, 1990 as escort vehicles.

On November 27, 1990 there was a Presidential order issued to Gral. Ortega to present his Renegade Jeeps to the Police Investigating the murder. The Vehicles were never presented neither to the Police or to the Judge.

Mr. Ortega's bodyguards accepted to declare after the Judge had issued arrest warrants on Feb. 25, 1992 for contempt of Court, the warrants were also ignored, the National Police refused to Carry out the arrest and the Supreme Court issued a statement supporting the Judge's requirement, the Body Guards went to declare with too little anticipation of a visit of the Interamerican Human Rights Commission - OAS.

The Director of the Armed Forces's Public Relations and the Head of the General Staff in February and April 1991 kept challenging the Judge's power to summon members of the Military as witnesses and accused the Judge of being part of a concerted campaign to discredit the Armed forces.

COURT RULING

Despite all the obstacles and difficulties encountered in the trial, the Judge of the Seventh District of Crime issued a homicide sentence on July 2, 1992 that pointed to General Ortega's eight bodyguards, as the alleged murders and accessories to the crime, recommending their prosecution and the investigation of General Ortega and two others officers for their involvement in the cover

However, this very Judge refused to continue and transferred the case to the Military Courts.

We, Jean Paul's parents, two years after our son's death, appealed before the Judge's last decision, presenting an extraordinary appeal of cassation, since we consider that being the Military Courts under General Ortega's authority, Head of the Army, justice could not take place. Today, nine months after receiving the cassation appeal the Supreme Court of Justice has not issued the sentence.

TRIPARTITE COMMISSION

The Tripartite Commission took in consideration the petitions presented on the Jean Paul Genie case and on February 15, 1993 and recommended the Nicaraguan Government that in order to achieve justice, the case should be taken to the ordinary courts.

Also the criminal prosecutor asked the Supreme Court to issue a verdict on the competent judge that the case should be taken to the ordinary courts.

The supreme court of justice established that all the relevant motions have been completed and summons the parts for the ruling, which should be issued on March 4, 1993.

REPORT OF IACHR

The Inter American Commission for Human Rights issues their report on the case stating that:

The material authors remain completely established for the crime of Homicide.

That in spite of the evidence presented during the course of the case and of the identification of the responsible ones by the Judge of the Seventh District of Crime, and the Technical Team of the Venezuelan Judicial Police, the material authors of the crime not only escaped justice, but also continue in the Army.

VI. CONCLUSIONS

The Nicaraguan Government is responsible for the violation to the right to life, the personal integrity, judicial guarantees, equality before the law and judicial protection, did not comply in its obligation in respecting human rights and guarantees, did not comply with its duty in adopting the dispositions of the internal law.

We recommend the Nicaraguan Government to accept the jurisdiction of the Inter American Court of Human Rights.

HUMAN RIGHTS ORGANIZATIONS

Since the middle of 1991 we have received the support of Americas Watch, which has been concerned of the Nicaraguan Police's investigations that lack credibility since they did not identify any suspects, pointing out to the government the results of their own investigation, of the murder of Sub - Commander Aguilar as one made to silence him about the case and by the Conclusion of the team of Venezuelan specialist which established the main suspects.

Americas Watch, Washington Office on Latin America, Amnesty International, The Congressional Human Rights Caucus, Lawyers Committee for Human Rights, the Foreign Relations Subcommittee of the Congress of Venezuela (See Annex 4 - 9) all unanimously expressed to the Nicaraguan Government, to the President of Nicaragua, to the Ministry of the Interior, to the President of the Supreme Court of Justice that they greatly fear the Nicaragua's System of Military Justice will prove incapable of a fair trial and that there is no justification for military Court Jurisdiction of a sweeping nature in the absence of war and should be strictly limited to Military specific Crimes, all believe that justice will not be done, because in the majority of cases brought to their attention in the Military Courts of Nicaragua in recent years did not result in bringing the criminals to justice, resulting in a miscarriage of Justice and another Human Rights violation committed by the Sandinista Popular Army.

Americanas Watch upon reviewing the Inter American Commission for Human Rights Report of March 10th, 1993 respectfully suggests to the Nicaraguan Government to accept the transfer of the case to the Inter American Court System.

THE GOVERNMENT'S INSENSITIVITY

In her letter to the Senators and Members of the Congress of the United States of November 26, 1992, related to the Jean Paul Genie's case, President Chamorro stated the following:

" As a consequence, the Attorney General's Office and Mr. Charlie Peña interposed on November 8 and 9, respectively, 1960

the extraordinary Appeal of Cassation, before the Supreme Court of Justice, to reiterate the petition that the case be dealt by an ordinary court. Actually, such Appeal is being dealt with and will be resolved within the established period of time as remitted by the respective Law."

In her address of Septber 2, 1993, to the Memebre of the Sandinista Army's Chief of Staff, Mrs. Violeta stated:

" As far as Justice and impunity is concerned, the Military Authorities are much more aware of the abuses committed by army members than the civilians, therefore these wrongdoings should be corrected so that the Army becomes more professional and better. Sometimes it happens that a wrong army esprit de corps covers up wrongdoings, which naturally affects society and deteriorates the relations between the Army and the People. Therefore the Army should punish the wrongs committed by its members and all its cadres become aware that, in the name of Nicaragua, impunity cannot be tolerated in its ranks."

In its note to the Interamerican Commission for Human Rights of May 21, 1993, the Attorney General of Nicaragua which supported our Cassation Appeal before the Court of Justice, is the Institution that deals to refuse the jurisdiction of the Interamerican Court for the specific case stating the following:

" We don't know yet if the Jurisdictional Ordinary Court was actually right or wrong in inhibiting itself in the knowledge of the case, neither we know while the Court of Justice does not resolve the so often mentioned Cassation Appeal, to which

Judicial proceedings this case must be submitted to."

THE COURT OF JUSTICE DID NOT RULE ANY SENTENCE SINCE MARCH 4, 1993 DATE IT SHOULD HAVE DONE SO.

Therefore in order to comply with the previous declarations the Government should accept the Jurisdiction of the Interamerican Court for the specific case, which would invite the Government to match Mrs. Violeta's words so that she does not lose her credibility.

The Nicaraguan Government acted with ambiguity when it had to deal with justice with regard to the murders of civic leaders and former Resistance members, issuing general or partial amnesties to erase crimes committed and obstruct them to continue in the Nicaraguan Crime Courts and consequently hinders its acceptance in the International Courts because its internal appeals have not been exhausted.

This ambiguous standards should change through the achievement of the concrete facts that ratify Dona Violeta's statements, this would end impunity and obtain a Law of Order. The Army's Counter-intelligence should not be the body that verifies the Tripartite Commission's Reports of the Verification Commission of the Organization of American States -OAS- and the Military Courts should not be the ones that pass judgment to those crimes.

A way of achieving this is to break the habitual manner of the Military Justice's application for the last thirteen years, obtaining through the Interamerican Commission that this case is carried on by the Interamerican Court or by the Nicaraguan Ordinary

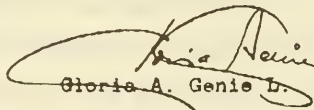
Courts.

Following the Attorney General's statements who does not know what to do until the Court of Justice decides on the Cassation Appeal and Mrs. Violeta's affirmations who insist that the civil case will be taken care of in accordance of the Law, and in the impossibility of achieving it one gathers that the Court of Justice, dominated by the Sandinista Front's Magistrates, blocked all decisions in this case.

As established by the Law, these Magistrates could have been a minority through the increase of an additional number of Magistrates nominated after the Democratic Government was elected in 1990 and therefore achieve that this Government could be in a position to know how to apply the Law.

Through the Sandinista Magistrates's obstruction, the Supreme Court of Justice in 1993, delayed and denied the justice deserved.


Raymond Genie


Gloria A. Genie D.

In Nicaragua

SO FAR FROM GOD

The author revisited Nicaragua last month, to find Sandinista hands on too many levers of power, the Contras still brave but abandoned by the U.S., and a political elite that doesn't know what hit it.

ELLIOTT ABRAMS



BY THE TIME I left Managua, half the people I had met were either hostages or hostage negotiators. Their warnings of violence, of political and social decomposition, were becoming reality even sooner than they had predicted to me during quiet meetings. Where I had sat with Nicaragua's vice president, Virgilio Godoy, at the headquarters of the UNO opposition parties, he sat two days later with AK-47 rifles pointed at him by Sandinista thugs. At a farewell dinner party given for me by former Central Bank president Francisco Mayorga (later the key negotiator in efforts to free the hostages), we listened to Sandinista radio stations blame Mayorga for the nation's problems and call for demonstrations. The guests stirred uneasily, wondering if *turbas* (Sandinista mobs) would turn up at his door. We left early. The next morning the Sandinista radio started mentioning my presence, and Nicaraguan friends began to call and say, "Get out of here, fast."

"What a Mess," said the headline in *La Tribuna*, Managua's new independent newspaper. A fair description, but this was not what Nicaraguans, or Americans, expected in 1990 when Nicaragua's civil war drew to a negotiated close. When Violeta Chamorro unexpectedly beat Daniel Ortega in the presidential election, there were rhapsodies of hope: with peace instead of war and democracy in place of tyranny, now the economy could start recovering—with generous foreign aid. It seemed plausible. In June of this year I visited El Salvador, where the same hopes are now being realized. New investment is evident, there is construction everywhere, and old enemies now battle each other with speeches and manifestoes. Why not Nicaragua too?

Begin at the beginning. "I never imagined I was going to be president," Violeta Chamorro told me. She

and her chief aide, Antonio Lacayo (also her son-in-law), expected to lose the election and become a sort of loyal opposition. But Nicaragua's masses threw a curveball at the elites: they really wanted the Sandinistas out, and gave Mrs. Chamorro a landslide.

She had the public support needed to take the reins of power from the Sandinista Front (or FSLN from its Spanish initials). She might have fired the Sandinista Army chief, Humberto Ortega, and his secret-police chief, Lenin Cerna. It is hard to believe they had the power to refuse to go. But Mrs. Chamorro and "Tonio" Lacayo blinked. For one thing it was simply much easier to make deals with the familiar FSLN leaders, many of them members of Nicaragua's elite families. As the Nicaraguan historian Arturo Cruz Jr. put it, when Mrs. Chamorro negotiated with the FSLN she was dealing with relatives; to rely on the Contras would have meant working with peasants.

Nowhere Else to Go

BUT Americans must be careful in condemning Mrs. Chamorro's strategy, for we gave her few good choices. The peace negotiations in El Salvador, which seem to have worked, brought two armed groups—the Army and the FMLN guerrillas—to the table to work out reasonable arrangements. America's abandonment of the Nicaraguan Resistance just as negotiations began assured the FSLN's victory at the "peace" table, and its monopoly on power. Moreover, Jimmy Carter and Venezuela's then-President Carlos Andrés Pérez (since forced out on corruption charges) strongly urged Mrs. Chamorro to keep Ortega and his men in their uniforms and avoid "confrontations." Appeasement policies always work out the same way, feeding the appetite of the aggressor, weakening the spirit of the appeaser, and ending in disaster. So it has been in Nicaragua.

Mr. Abrams, an NR contributing editor and senior fellow at the Hudson Institute, was assistant secretary of state for inter-American affairs from 1985 to 1989.

Today, Nicaragua is a country with neither law nor order. Sandinista behavior since 1990 has been so bad that it finally broke the liberals' back: Ted Kennedy, Chris Dodd, and the entire gang voted this summer to cut aid to Nicaragua as punishment—or, more likely, to protect their rear ends as more information comes in about Sandinista activities. As usual, they voted wrong: the aid cut hurts Nicaragua's poor much more than it hurts the FSLN. But more on that later.

One Who Stood Up Straight

YOU GET a keen insight into life in Nicaragua by talking to Enrique Bolaños. During much of the 1980s Bolaños was the head of COSEP, the key group representing the private sector. He was that rare animal in Nicaragua's in-bred business oligarchy, a highly successful self-made man. Many businessmen made their deals with the Sandinistas to avoid confiscation of their companies. In Nicaragua's political culture, corruption is assumed to be a frequent motivating force. (I watched Nicaragua's national baseball team play one night and saw its best hitter strike out three times. "Well," the TV announcer said, "who's paying him off? There is a dirty hand hidden behind all this.") As in all tyrannies, most people bant with the wind to avoid being broken. Enrique Bolaños stood up straight (*"un hombre recto,"* former colleagues call him) and fought the Sandinistas with his voice and his pen.

The Sandinistas punished him by confiscating everything he had. Of course you assume the Chamorro government has given it all back. Not so; the laws that require return of properties or full compensation have simply been ignored. People close to the FSLN or to "Tonio" Lacayo seem to have a much easier time getting properties back. No one I met in Managua called the process fair or lawful. So Enrique Bolaños, now seventy, waits. He has taught himself computer programming and started a new business. He figures his family will get the properties back some day. Maybe too late for me, he said, but the money will help my children. Bolaños remains as tough and upright as ever, not regretting for a moment that he did not bend. But one wonders: our foreign aid is paying for this?

Bolaños described the Sandinistas to me as behaving like "retired pirates," and the words stayed in my mind. What would a retired pirate do? He would protect his loot and make sure he was never punished for past crimes. Which is precisely what the FSLN high command has dedicated itself to since 1990. During the two-

month transition period between Violeta Chamorro's election and her inauguration, the Sandinista elites stole everything they could carry off or get title to. Vast *fincas* or estates, beautiful homes, cash, businesses. This is the infamous *piñata*, named after the children's game where you smash a papier-mâché figure and gifts fall out. The Sandinistas smashed the state and looted its holdings; now they fight to keep them, and to ensure immunity for past crimes.

In three years Nicaragua has adopted three amnesty laws, the last while I was in Managua. These are essential for the Sandinistas, for they allow continuing violence against opponents. Last fall a young businessman named Arges Sequeira became the head of a citizens' committee demanding return of confiscated properties. In November he was murdered. "It was an act of terror," Vice President Godoy told me. Sequeira's killer is known: a Sandinista named Frank Ibarra, once a deputy of Lenin Cerna's in the FSLN Ministry of the Interior. Ibarra has admitted his involvement on TV, but the new amnesty will let him off scot-free unless Mrs. Chamorro vetoes it. Nicaragua's Cardinal, Miguel Obando y Bravo, has repeatedly and publicly urged her to do so; but when I left Managua she had not acted.

Not all Sandinistas stole property during the *piñata*—and that has created the most interesting new division among them, not between reformers and hardliners, but between rich and poor. Those who came from Nicaragua's elite and inherited money, or who have used their brains and talents in business to make

"Absolutely Heavenly"

Nika Hatzinas, NATIONAL REVIEW, Jan. 22, 1990
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money, or who simply stole money, have a different outlook from those who still struggle for a living. But the elites control the Party: democratic centralism of the Leninist variety holds the FSLN together, and its deputies in the National Assembly have never once failed to vote in a bloc. And the Ortega brothers, who stole the most, control the Army and the police. "He is the richest man in Nicaragua," a businessman told me about someone I was to have dinner with.

"Maybe not any more," another companion cautioned—"by now it may be Humberto."

Maneuvering around the Ortegas

THAT LEAVES Sandinista reformers in a curious position. Some of them are real reformers, real democrats, who have denounced the *piñata* and the acts of violence. I visited Carlos Tunnerman, whom I once declared *persona non grata* as the Sandinista ambassador in Washington, and he was honest about the Party's affairs. Tunnerman would like to see the FSLN become a social democratic party, dropping ties to the security forces and the old Marxist ideology. He is far from alone in the FSLN. But he and his friends do not run things, and his public criticisms have now made him *persona non grata* with his former bosses.

More typical is Sergio Ramirez, vice president during the Sandinista years, a charming, eloquent intellectual who laughed pleasantly when I asked if I could have a taster try the coffee he offered before I drank any myself. Many Sandinistas hope he will be their presidential candidate instead of Daniel Ortega in 1995, when Violeta Chamorro's term ends. In all my conversations with Sandinistas, not one defended Daniel or Humberto Ortega. The fear clearly exists that they wish to establish a family dynasty reminiscent of the Somozas, one brother president and one Army commander. Most Sandinistas realize that Daniel, with his trips to Libya and his Stalinist rhetoric, is damaged goods, a relic of the past who must be passed over—if only Humberto can first be gotten rid of as Army chief.

Well and good, I think to myself, and Ramirez impresses me. But then comes the hostage crisis and there he is, out whipping up the Sandinista crowds. When a group of ex-Contras takes some hostages, he cranks out charges that Nicaragua's conservative parties—old-fashioned and pretty tame—"are the people who ordered this." It is a call for violence; indeed, that night two anti-Sandinista radio stations were wrecked by FSLN mobs.

What do the Sandinistas want? I ask myself. Have they now dumped the old Marxist ideology? Yes, but in

its place have emerged pure self-interest and a willingness to use violence to protect their power. The leaders of the ANPDH, the Nicaraguan Human Rights Association, told me that many of the most abusive FSLN officials are still in charge of the areas where they committed their crimes (all carefully documented in ANPDH files). While the Sandinistas' monopoly on force continues, violence will be unchecked. Nicaragua will remain a country without law or order.

It will get worse before it gets better. Humberto Ortega has figured out that pressure for him to go will become overwhelming, unless he can prove—again and again—that he is indispensable. So, the FSLN now produces violent incidents from which Humberto is supposed to emerge as the country's savior. "He wants to be the pacifier of Nicaragua," Managua's mayor, Arnaldo Alemán, a leading opposition politician, told me. In the city of Esteli a show was put on, with Sandinista ex-soldiers apparently taking over the city, only to be driven out by Army men who "saved the day" after bloody battles. But several South American ambassadors said the "mass graves" of the victims are in fact



empty, and the ties between the "ex" soldiers and the Sandinista Army were too obvious to fool a child. "Esteli was a bluff that worked badly," said Godoy. Then came a hostage taking by a group of re-armed Contras. The Sandinistas saw an opportunity and their reaction was the hostage taking in Managua, far more serious because it was in the capital and imprisoned much of the opposition leadership. I went to Alfredo César's house for coffee and a chat with this old friend, until last year president of the National Assembly; two days later I watched him, remarkably cool and self-possessed, talk to reporters while hostage takers pointed their guns at him. Humberto's is a dangerous game.

Meanwhile Nicaragua's economy collapses. Cotton production is at 3 per cent of its historic peak, and Antonio Lacayo tells me it will take twenty years for Nicaragua to produce and export as much as it did in 1970. With rapid population growth, per-capita income de-

clines each year. Now, at about a dollar a day, it is sinking to Haitian levels, and there is 80 per cent unemployment. The Cardinal told me that people are once again leaving for the United States. "We in the Church can tell," he says; more people are asking for baptismal certificates to use in lieu of the birth certificates lost in the 1972 earthquake or the war. Nicaragua is surviving on foreign aid, \$2 billion of it in the three years of Violeta Chamorro's government, half from the United States. Violeta urged me when I visited her to "remember how I received this country." A fair point. Sandinista policies had ruined the economy, and rebuilding would take time. But three years and \$2 billion later, things seem worse than ever.

Not, of course, in parts of Managua. The old elites are back, and consumption in some neighborhoods is pretty conspicuous. The vehicle of choice is the Toyota Land Cruiser (\$40,000 when I last checked), used by Sandinista *comandantes* and prosperous businessmen alike. Managua has a new cellular telephone system built in partnership with Motorola, and when I had a luxurious dinner with some businessmen, each had his new little phone on hand. Whenever there was a ring, they all jumped for their phones and confusion ensued. "*¡Allo!*" "*El tuyo.*" "*¡Allo?*" "*No, no es el mío, es el suyo.*" "Yours." "No, not mine, his." "No, no, yours." And so it went. I had many conversations with businessmen in Managua, and all of them told me about the terrible economic conditions. Yet later I realized not one had ever used the word "poverty." As so often in Latin America, the poor have become invisible to the rich. Private charity of the American sort is almost unknown. But out in the street beggars surround you at every traffic light, and the head of the Jesuit University, Father Xabier Gorostiaga, a liberation-theology man who backed the FSLN in the early years, tells me there are "levels of misery previously unknown in Nicaragua."

Out among the Contras

BUT I WAS unprepared for the misery I saw when I went out to visit the Contras. One hundred miles from Managua, twenty miles beyond the last paved road, is the village of Quimichapa. Here a few hundred Contras were settled under the peace accords that guaranteed them land to till and seeds to start with, and some clothes and possessions to begin a new life. Three years later they wait in wooden hovels with plastic sheeting for roofs, abandoned by their own government and by ours. How many former officials of the Reagan or Bush Administrations have visited them, I ask, in these three years? You are the first, they answer. They have been abandoned—almost.

What saves them from an even worse fate is the Organization of American States. Having formed the opinion in the 1980s that the OAS is better at holding black-tie galas and interminable meetings than actually doing anything, I was amazed. But here, on the outskirts of nowhere, I met OAS officials—South Americans, mostly—who are totally committed to their work

It didn't start that way, they tell me. They signed on because someone had to do the work of disarming and resettling the 10,000 mercenaries who constituted the Contra army. "They were supposed to be the bad guys in this movie," one Argentine OAS man told me. Then the Contras began to gather in the specified locations, and the startled OAS officials found themselves facing an army of *campesinos*—peasants. "They were all peasants," another OAS official recounted. "I was totally unprepared to find this. And then the 10,000 became 12,000. Then 15,000. Then 18,000. In the end we saw this was an army of 22,000 peasants." So much for Sandinista propaganda, and for the "useful idiots" in the U.S. Congress who echoed it. This had been one of the largest peasant uprisings the world has ever seen.

Today the OAS men, working for the CIAP (the Spanish initials for International Commission for Help and Verification), are the Contras' only protectors. They asked me with surprise why we treated the Contras so badly; after all, the budget for the FMLN guerrillas in El Salvador, our former enemies, was twice as large, while they were one-fifth as numerous as the Contras. Yes, one-tenth as much per man and woman for your old allies as for your old enemies; why? It's a long story, I answered; I was too disgusted by what they had told me to discuss it any further.

Seeing the injustice that is being done to these men and women and their families, the OAS officials safeguard them from human-rights violations as best they can, but they tell me that over 150 Contra leaders have been murdered by the Sandinistas. No one has ever been punished for killing a Contra leader. As it does for former soldiers in the Sandinista Army, the OAS builds small medical clinics to care for them, primitive school rooms (no electricity) for their children, and tiny houses for them to live in. Next to Quimichapa the CIAP-OAS is building forty units (or rather the ex-Contras are, with materials the CIAP-OAS provides). Such a "house" is one room about 14 feet square, with a tin roof and cement walls and floor, and openings in the walls for windows. There is, of course, no glass for the windows, no electricity, no running water. Yet these little houses are a gigantic improvement over the way the ex-Contras are now living. Finally, the CIAP-OAS men give the ex-combatants something else, something neither their government nor ours has given them: respect. To see the relationship that has grown up between them changed forever my view of the OAS.

My meetings with ex-Contras did not end in Quimichapa. I had dinner with a group of ex-*comandantes* one night in Managua. It is difficult to describe their *esprit de corps*, their mutual respect, and their belief they had made the only possible decision when they chose to fight; but it reminded me of accounts of Confederate veterans after our Civil War. These ex-*comandantes*, too, feel abandoned by their own government and by ours—a verdict I could not in good conscience contradict. But they have decided to organize—as one put it, "to continue the struggle in the civil arena." They are starting the Nicaraguan Resistance Party; in a few

against the Sandinistas, still unafraid, still, in fact, the Resistance.

Minority of Two

FATHER GOROSTIAGA asked me, "If the poverty and injustice of the 1970s produced civil war, how can the worse misery we now have produce democracy, stability, and peace?" Doña Violeta's government, he said, has failed, an opinion shared by everyone I met in Nicaragua except Mrs. Chamorro herself and Antonio Lacayo. Public-opinion polls show her popularity declining steadily. Her government floats in thin air, with no substantial political support.

Now what? When I left Managua two hostage incidents were underway and two radio stations had been sacked. At such a juncture, Nicaraguans turn almost instinctively to Washington. Though they have spent a century complaining about American intervention, Nicaraguans have also acquired the habit of looking north. What is more, one can now detect the fear of being abandoned, a fear shared by Right, Center, and Left—even by the Sandinistas. "We are children of the Cold War," a businessman said to me, meaning that Washington's relations with Somoza and the Contra program in the 1980s were Cold War phenomena. "Not exactly," replied my friend Arturo Cruz Jr. "We are orphans of the Cold War."

Just so. During the Cold War Nicaragua was a prize, worth immense amounts of attention and spending by Moscow and Washington. Despite the country's small size and limited resources, it joined the odd collection of places—Grenada and Angola come to mind—to which the Cold War gave 15 minutes of fame on the geopolitical stage. Central America was a battlefield between the Soviets and the United States, and, sometimes nearly as bloodily, between liberals and conservatives in Washington. As a farewell gift for playing this role, the United States has given Mrs. Chamorro's government \$1 billion and helped raise more. But Nicaraguans, aware that their brief strut upon the stage has ended, now worry less about American intervention than about American indifference.

This became apparent to me in an astonishing conversation with Comandante Victor Tirado, who handles international affairs for the Sandinistas. A smart and articulate man, he made his argument for Nicaragua's importance to us well. First of all, he said, we could become a way station for drugs coming up from South America. There could, you know, be real economic collapse here, violence and disorder. And since we're right in the middle of Central America it would all spread to Costa Rica and Honduras and El Salvador. Even, he added, to southern Mexico. There would be hundreds of thousands of refugees. The United States has very real interests here, and you can't deny them.

Where had I heard this before? I asked myself. From Ronald Reagan! All that's missing, I felt like telling Tirado, is the reference Reagan used to make in his speeches to Harlingen, Texas, being closer to Managua

than to Washington. It was the old stock speech on Nicaragua we had all made, now coming back at me from a Sandinista comandante!

Nor was that all Tirado had to say. "Count on the Sandinista Party," he told me, to be a good partner for the U.S. in combatting drugs and terrorism. (I told him this pledge might be more persuasive if Daniel Ortega could stop visiting Libya, a comment he and his colleagues acknowledged with a laugh that showed little respect for their former president.) This helped explain why so many Sandinistas were glad to meet me. They wanted to send a message to Washington, and who better to carry it than their old enemy? The message: Let bygones be bygones. This is a new era, and a new Sandinista Party.

This desire to be accepted in Washington has come hard to the Sandinistas. When the air war in the Persian Gulf turned into an immediate American victory, Humberto Ortega told intimates it meant nothing: when war on the ground began, the Americans would be crushed. The next few days taught Humberto what all Sandinistas now realize: there's only one game in town for Nicaragua and it's played in Washington.

What exactly do the Sandinistas want? Why, they want it all. They want to have polite chats over good coffee, and talk of joint anti-drug programs; they want the invitations to Washington that their erstwhile protégés, the FMLN in El Salvador, began to receive as soon as they put down their arms. But they also want to keep their arms, and to keep on using them. They want to maintain control over the Army and the police, to murder their enemies and take hostages, to blow up radio stations and avoid trials, to keep the property they stole in the *piñata*. They want it all. And in fact there's only one thing stopping them from having it all: the cursed Americans, who have just once again suspended aid to Nicaragua. This time it came as the Senate's reaction, in a July 28 vote, to the discovery of huge secret arms caches in Managua and of a Nicaraguan connection to the World Trade Center bombing, namely the continuing availability of Nicaraguan passports to terrorists.

American aid is two things in Nicaragua, Antonio Lacayo told me. It provides genuine help to the economy, but it also constitutes a legitimization of the government. Our own government's troubles started, he said, when you suspended aid during the Bush Administration: both Left and Right stopped cooperating with us, positions hardened, things became polarized. Your aid is a blessing of the government; the withdrawal of the aid is the withdrawal of the blessing, and it weakens Doña Violeta.

This is no doubt true, but raises the final question: What do we want in Nicaragua? What is our aid for?

Suspending American aid entirely is a senseless act that should be reversed quickly. This cuts off funding for the OAS's activities, which are quite simply the best thing now going on in Nicaragua. Republicans who wish to help the Contras should double, not suspend, the amount we are giving to the OAS for this program.

Democrats who believe in multilateralism and in strengthening the OAS should join them. And the OAS does its work with a small budget—CIAV-OAS is seeking only \$4 million for next year—and with the amazingly low overhead expense of just under 10 per cent, a bureaucratic miracle. Many U.S. AID programs do almost as much good, from supporting human-rights groups in Nicaragua through the National Endowment for Democracy, to undertaking the only constructive work on the Atlantic Coast. There, the Indians, once again forgotten by Managua, are being helped by AID to rebuild roads and bridges damaged during the war, thereby providing work for 2,300 Indians in a region of immense poverty. When the aid goes to the central government, however, especially when it goes in cash, much is lost to inefficiency or is skimmed off by Sandinista-controlled institutions. So our policy should be to bypass the Nicaraguan government whenever possible, use our cash transfers to the government when we want to send it a message, and maintain funding of effective aid programs that directly help Nicaraguans in need. Suspending our aid programs now punishes only the intended recipients, not the Sandinistas.

Should we be sending a message now, suspending our cash transfers on political grounds? Nicaraguans are divided on this. Some, like Gorostiaga, want to end American intervention, seeing it as polarizing. Many Nicaraguans, even conservative businessmen I spoke to, react with nationalist resentment at continued American interference. "I want Humberto Ortega out as Army chief, but not because you say so," one told me. But this is not the time to abandon Nicaragua to the Sandinistas, as we did in 1979 and then again in rushing to disarm the Contras in 1989 and 1990. In fact the only force strong enough to counterbalance the weight of their guns remains Washington. "We couldn't get rid of Somoza without you," one Nicaraguan friend told me, "and we'll never get rid of Humberto Ortega without you." Sadly, he is right: To disengage now would be to abandon that nation to the old Latin curse, the perpetual grip of the men in uniforms.

Nicaragua today is, as *La Tribuna's* headline claimed, a mess. In effect it lacks a government at a moment when strong leadership is needed. ("Violeta has the same duties as Queen Elizabeth," Vice President Godoy put it sharply.) In the countryside misery grows, enveloping *campesinos* who served on both sides in the war. "If they take up arms again," I was warned, "it won't be against each other. They'll go after all those people riding around in Land Cruisers." If there is hope, of course, it lies ultimately within Nicaragua and not in aid programs or foreign pressure. There will be ex-Sandinistas turned democrats, ex-Contras turned organizers, businessmen who see their country's peril, the indomitable Cardinal Obando, all contributing to an effort to hold truly free elections in 1996 and to choose new and effective leaders. But while Nicaragua staggers on, let us at least be clear about whose side we are on. It must be the side of democracy and civilian rule. Throwing more money at the Nicaraguan government

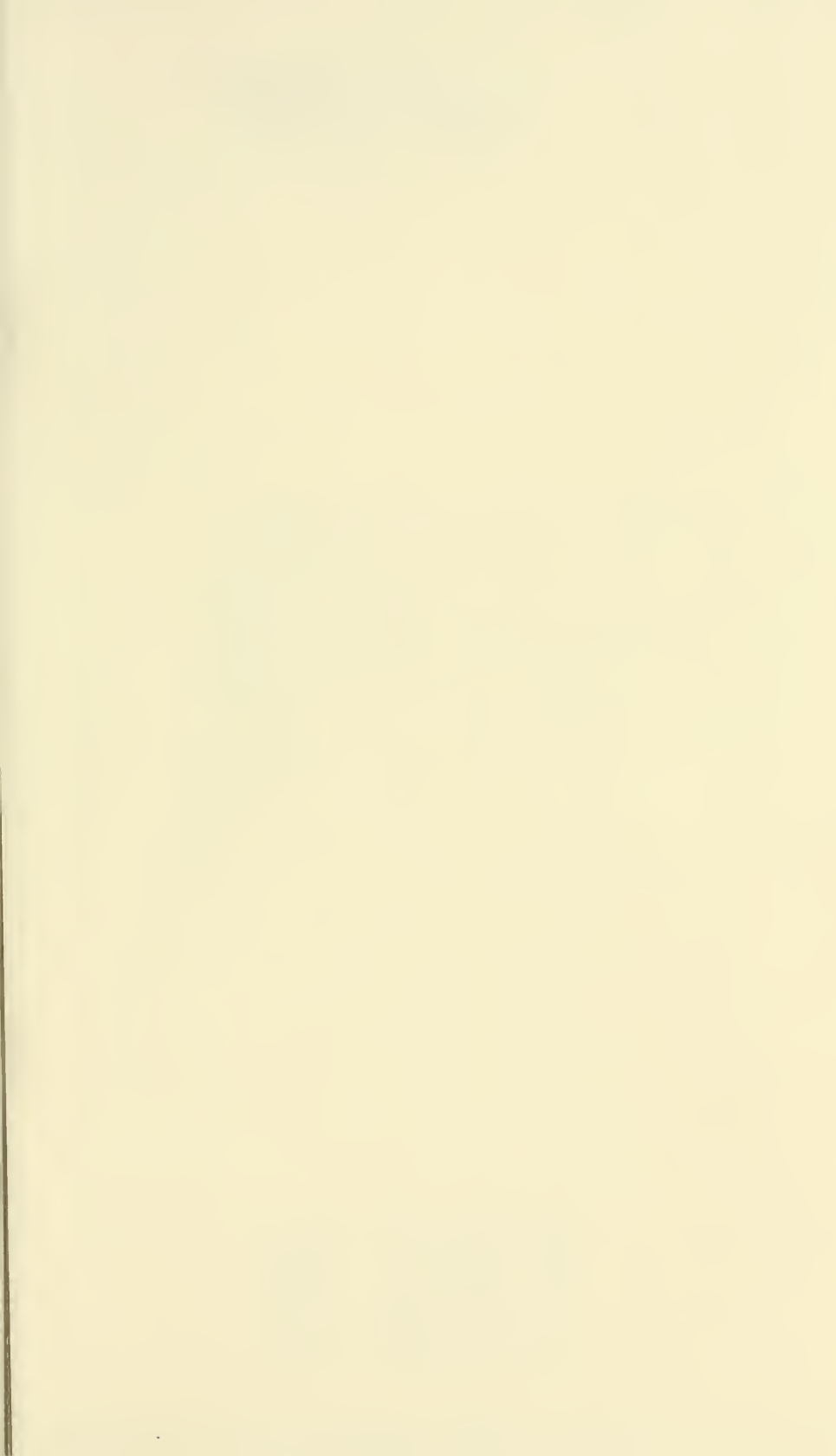
right now is indeed, as "Tonio" Lacayo said, blessing it, and we should not be blessing a government that still, three years after purportedly taking over, allows the Sandinistas full control of the Army and police. We should condition our aid on real progress in getting the Sandinistas out of both institutions.

Soldiering On

STAGGER ON Nicaragua will. In the best of circumstances it would take twenty years to recover the prosperity the nation had in the 1960s and 1970s, when it exported coffee and cotton and was famous for its cattle. Nicaraguans used to cross the border into Honduras and shake their heads at the thin cattle there. Today, the Honduran economy is growing, their beef cattle are fat, and Hondurans crossing the border shake their heads at the calamity that Nicaragua is experiencing. Managua's center remains the ruin it became in the 1972 earthquake. But near the center



is the new cathedral, just now completed. The modern architecture requires a very catholic taste, but it is the last cathedral that will be built in this millennium, an instant landmark in Managua, a reminder to Nicaraguans that there is a future, and that the Church at least will accompany them through this crisis. So should we, in our much more limited way, using the tools of aid and trade and political blessings. We would prefer to be rid of this burden now, while they would prefer to achieve a political independence that has hitherto been unavailable. But both sides ought to soldier on a few years yet, until stability and peace return to Nicaragua. It is not the least we can do, but it is the least we can honorably do. □



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